

Department of Natural Resources



**Annual Performance Report
2010-11**

Report prepared by:

Department of Natural Resources
Strategic Planning and Policy Coordination Division
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Message from the Minister



Speaker of the House of Assembly

Dear Mr. Speaker:

In accordance with the *Transparency and Accountability Act*, I hereby submit the 2010-11 Annual Performance Report for the Department of Natural Resources. The report includes the Mines and Energy Branches of the department and the Forestry and Agrifoods Agency.

The outcomes reported reflect government's strategic direction for the province's natural resources. My signature below is indicative of my accountability for the actual results reported.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jerome Kennedy". The signature is fluid and cursive, with a large initial "J".

Jerome P. Kennedy, Q.C.
MHA, Carbonear-Harbour Grace
Minister of Natural Resources





Mines and Energy Branches

Performance Reporting

The *Transparency and Accountability Act* requires government departments, agencies, boards and commissions to engage in a formal planning and reporting process. As part of this process, the department must prepare and publish a strategic plan every three years. The strategic plan identifies the goals and objectives chosen by the department to advance its priorities over the planning period. Under this planning model, goals represent targeted outcomes over a three-year cycle, while objectives cover smaller achievements targeted for each year within the planning period. The strategic plan also lays out the department's overall mission which represents its single most important focus area and is typically carried through two planning cycles (usually six years) and reflected in two, subsequent, strategic plans. When engaging in the strategic planning process, the department must step back from day-to-day operations and identify the areas of its mandate that are of strategic importance to clients and /or the province as a whole, and identify mechanisms for advancing work in these areas. By publishing these plans, the department is able to inform the citizens of the province of what these priority areas are and how it plans to move them forward.

After the strategic plan is finalized and published, the department is required to monitor performance and provide periodic updates to the public on progress towards the priorities identified. Each year, the department prepares an annual performance report which provides updates on the achievement of annual objectives. In the final year covered by a planning period, the department must also report on progress toward the goals set out in the strategic plan. In the last year of a mission period, the department must also provide an update on achievements toward its overall mission.

This past fiscal year was the final year in the Department of Natural Resources' 2008-11 strategic planning cycle, as well as the final year in its mission period. As a result, this report will provide status updates in three performance categories: annual objectives for 2010-11, goals for the 2008-11 planning period, and mission, the majority of which covered the last two planning cycles.



Mines and Energy Branches

Report Outline

A key part of the Provincial Government's overall economic strategy is to maximize the socio-economic opportunities that arise from the development of natural resources, while maintaining sound stewardship of the resource base. Toward this end, the Department of Natural Resources is responsible for regulating and encouraging sustainable development of the province's natural resources¹, namely minerals, energy (oil, gas, hydro, wind, biofuels), forest assets and agriculture/agrifoods resources.

The Department of Natural Resources was established under the *Executive Council Act* and is a category one government entity under the *Transparency and Accountability Act*. To carry out its duties, the department is divided into two main areas of operation: the Mines and Energy Branches, commonly referred to as "the department" in the remainder of this report, and the Forestry and Agrifoods Agency, commonly referred to as "the agency". These two areas share a number of central functions and collaborate on select initiatives but, otherwise, operate independently of one another, each offering a distinct set of programs and services for their respective natural resource sectors. As a result, this annual performance report is divided into two "sub-reports" setting out performance results for the Mines and Energy Branches and the Forestry and Agrifoods Agency respectively.

¹ Fisheries resources are the responsibility of the Department of Fisheries and Aquaculture; wildlife resources are the responsibility of the Department of Environment and Conservation.

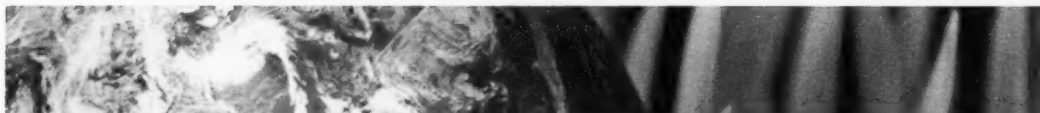
An aerial photograph of a large offshore supply ship, the Terra Nova FPSO, sailing on the water at night. The ship is equipped with various cranes, a helicopter deck, and complex piping. In the background, an industrial facility with large storage tanks and a conveyor system is visible, illuminated by bright lights.

Mines and Energy Branches

Photo Credits, previous page:

Top: Teck Duck Pond Operations, Mine Site at Night (Teck)

Bottom: Terra Nova FPSO (Suncor)



Mines and Energy Branches

Introduction

The 2010-11 fiscal year marked a significant period for the Department of Natural Resources (the department) and the province as a whole with numerous accomplishments and milestones in the mines and energy sectors. The following section provides an introduction to these sectors which are of vital importance to Newfoundland and Labrador's overall economy.

Mining

The mining sector is a significant contributor to the provincial economy and in 2009, accounted for approximately 6.7 per cent, or about \$1.57 billion, of nominal GDP in Newfoundland and Labrador and 1.7 per cent of provincial employment². The province is Canada's main producer of iron ore and its second-highest producer of nickel.

The forecasted Gross Value of Mineral Shipments (GVMS) of \$4.7 billion for 2011 is substantially higher than the \$3.7 billion in 2010. This is mostly due to the projected increase in shipments and prices of iron ore from western Labrador. Increased shipments will result from expansion and upgrades at existing iron ore operations and the opening of the Labrador Iron Mines operation in June 2011. The increase will also be driven by operations at the Voisey's Bay nickel mine, in northern Labrador, which have returned to normal upon resolution of a labour dispute. The planned reactivation of the Ming Mine by Rambler Metals and Mining, and a general increase in commodity prices, are also contributing factors. A shipment value of \$4.7 billion would be the highest GVMS on record in nominal Canadian dollars and the first time above \$4 billion.

In 2004 the value of mineral shipments from this province stood at just \$684 million. Apart from 2009, from 2004 to 2011 there has been a clear positive trend in the value of mineral shipments (refer to Figure 1). Over this period a commodity demand boom resulted in an increase in prices attained for most commodities world-wide. This, coupled with a corresponding string of mine openings and expansions, resulted in an increase in mineral wealth. Several projects are currently in the development stage, and this bodes well for the future of mining in Newfoundland and Labrador.

² The Economy, 2011.



Mines and Energy Branches

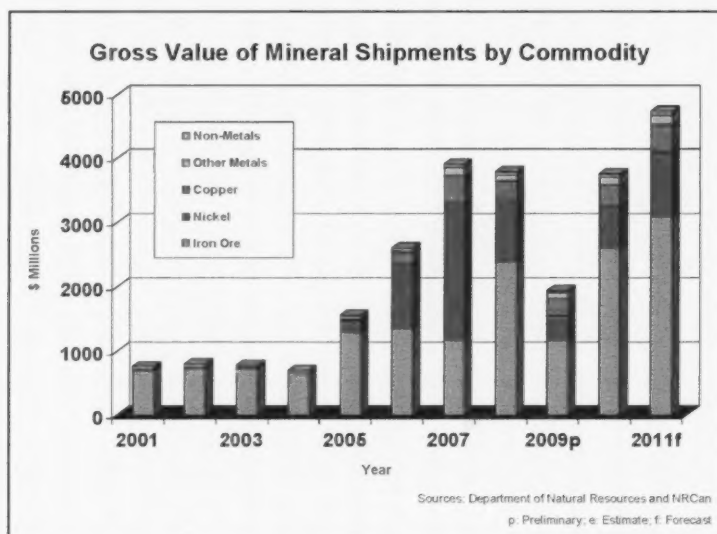


Figure 1 – Gross Value of Mineral Shipments

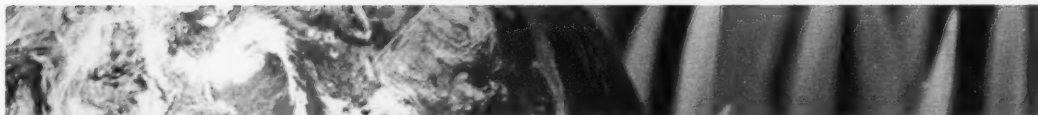
Energy

Newfoundland and Labrador is an established, significant and growing net energy producer. Few jurisdictions in North America can match the combined value of the province's energy resources that include oil, gas, hydroelectricity, wind and other sources.

The province's oil and gas resources include discovered reserves of 3.1 billion barrels of oil and 11 trillion cubic feet of natural gas. The potential for further discoveries exists within its onshore and offshore basins as undiscovered resources are estimated to total 6 billion barrels of oil and 60 trillion cubic feet of natural gas.

The oil and gas industry has become an increasingly important part of Newfoundland and Labrador's economy since production began at the Hibernia oil field in 1997. Provincial real GDP has grown by nearly 52 per cent in the last two decades, with over half of the growth attributed directly to the oil industry³. In 2009, oil extraction and

³ The Economy, 2011.



Mines and Energy Branches

support activities accounted for 27.5 per cent, or \$6.4 billion, of nominal GDP and 2.4 per cent of provincial employment. In 2009-10, provincial revenues⁴ totaled just over \$6.0 billion, of which approximately 36 per cent was attributed to oil royalties (refer to Figure 2).

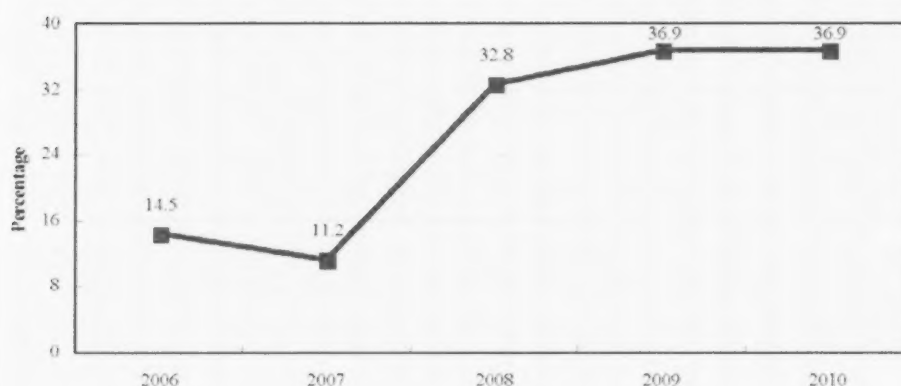


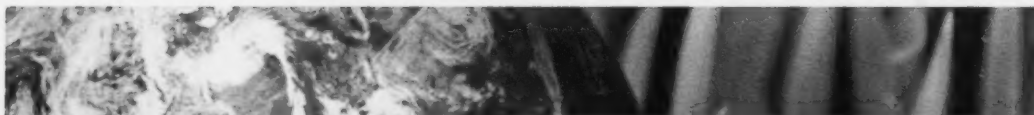
Figure 2 – Offshore Royalties as a Percentage of Provincial Revenues

Newfoundland and Labrador currently produces about 35 per cent of Canada's conventional light crude oil and the province's three large-scale oil producing projects have produced more than one billion barrels of oil since Hibernia first came on-stream. In 2010, the province's offshore region produced an average of over 275,000 barrels of oil per day. The existing Hibernia, Terra Nova, White Rose and North Amethyst oil fields⁵ will soon be joined by a fifth field – Hebron – in the offshore region. The Hebron development is scheduled to enter the construction phase in 2012.

In addition to oil and gas, the province is home to large stores of clean, renewable hydro and wind energy. The generating capacity of the Upper Churchill hydroelectric facility in Labrador is 5,428 megawatts (MW), with the bulk of production going to export markets. Newfoundland and Labrador Hydro (Hydro) operates the 604 MW Bay d'Espoir hydro plant and numerous smaller hydro facilities. The province is also home to the Lower

⁴ Public Accounts Volume I, Consolidated Summary Financial Statements, for the Year Ended March 31, 2010.

⁵ The White Rose and North Amethyst oil fields are both being produced under the White Rose project.



Mines and Energy Branches

Churchill Project, the most attractive undeveloped hydro project in North America, and is making great strides towards its development. In November 2010, Nalcor Energy, the province's energy corporation, signed a partnership agreement with Emera Inc. of Nova Scotia for the development of Muskrat Falls (824MW), that will make up Phase I of the project. The province continues to work towards development of Phase II of the project, to take place at Gull Island (2,250 MW), for a total Lower Churchill generation capacity of 3,074 MW.



Mines and Energy Branches

Overview of the Department

The Department of Natural Resources was established under the *Executive Council Act* and is a category one government entity under the *Transparency and Accountability Act*. The department's responsibilities for natural resource development in the mining and energy sectors are executed by staff in two branches, the Mineral Resources Branch and the Energy Branch.

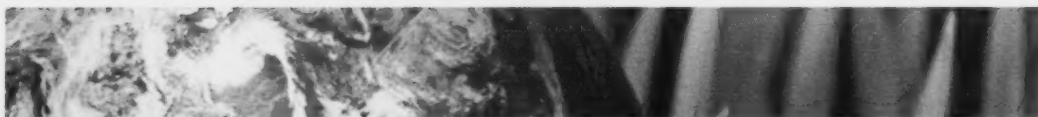
Mineral Resources Branch

The Mineral Resources Branch has three divisions:

The **Mineral Development Division** is responsible for the approval and permitting of mining operations through the *Mining Act*; the administration of the Mineral Incentive Program; the collection, analysis and publication of mineral production data; and the assessment and rehabilitation of abandoned mine sites across the province.

The **Mineral Lands Division** is responsible for the administration of mineral land tenure through the *Mineral Act* and the *Mineral Holdings Impost Act*, that includes the issuance of exploration licenses and production leases; the administration of quarry material rights and developments through the *Quarry Materials Act*; the issuance of exploration approvals and follow-up inspections; and the maintenance of the core library system.

The **Geological Survey Division** is responsible for mapping and interpreting the province's bedrock geology; conducting geochemical and geophysical surveys; conducting mineral deposit studies; maintaining and publishing maps, reports and databases concerning the geological and mineral endowment, including Geographic Information System (GIS) based databases and web-delivery; and promoting the province's mineral potential.



Mines and Energy Branches

Energy Branch

The Energy Branch is divided into three main sections, each made up of several divisions.

The **Petroleum Development Section** is responsible for fostering the exploration, development and production of the province's hydrocarbon resources and provides geological, geophysical, engineering, and regulatory services. Responsibilities include:

- The provision of technical services in the areas of petroleum geoscience, petroleum engineering and petroleum operations to facilitate sustainable development and management of petroleum resources both onshore and offshore; and,
- The provision of marketing and promotional services, both nationally and internationally, to foster the exploration, development and production of the province's hydrocarbon resources.

The **Royalties and Benefits Section** is responsible for maximizing the benefits to the local economy from the development of major resource projects. Responsibilities include:

- The maximization of fiscal benefits to the province from petroleum resource development through the negotiation, development, administration and monitoring of project agreements and legislation;
- The auditing of project costs and revenues to verify the accuracy of royalties paid to the province;
- The provision of energy-related economic/financial and supply/demand information review, analysis and advice to inform resource management decisions; and,
- The maximization of industrial benefits to the local economy from the development of major mining and energy projects through negotiation of benefits commitments, benefits monitoring and international promotion of the province's industrial capacity and capabilities.

The **Energy Policy Section** is responsible for developing, planning and coordinating policy matters relating to the province's energy sector. Responsibilities include:

- The management/co-management of onshore and offshore petroleum exploration and development and regulatory compliance and development;
- Electricity industry governance and structure, electricity industry markets, alternative energy, and responsibility for the *Electrical Power Control Act*;



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- The provision of technical, economic, analytical and program design expertise to government to enable informed decisions on matters relating to energy efficiency;
- The design and/or delivery of specific energy efficiency programs and services; and,
- General policy, planning and coordination in the energy sector, including a lead role in the implementation of the province's Energy Plan.

Employees

As of March 31, 2011, the Department of Natural Resources' Mines and Energy Branches had 192 staff members.

Branch	Female	Male	Total
Mineral Resources	29	60	89
Energy	28	30	58
Financial Operations ¹	10	7	17
Executive Support ²	17	11	28
Total³	84	108	192

1. Financial Operations staff are shared with the Forestry and Agrifoods Agency and the Department of Fisheries and Aquaculture.
2. A number of employees in Executive Support are shared with the Forestry and Agrifoods Agency.
3. Excludes vacant positions and contractual arrangements; also excludes seven employees with the Public Service Secretariat shared with other areas of government.

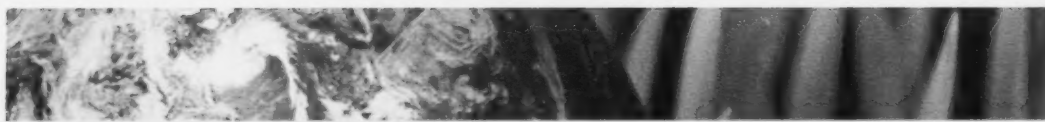
Table 1 – Employee Breakdown (department)

Physical Location and Web Site

The department's main office is located in the Natural Resources Building at 50 Elizabeth Avenue, St. John's, Newfoundland and Labrador. The mailing address is as follows:

Department of Natural Resources
P.O. Box 8700
St. John's, NL, A1B 4J6

The Department of Natural Resources web site address is www.gov.nl.ca/nr. A link to the department's web site is also provided in the main web site for the Government of Newfoundland and Labrador at www.gov.nl.ca.

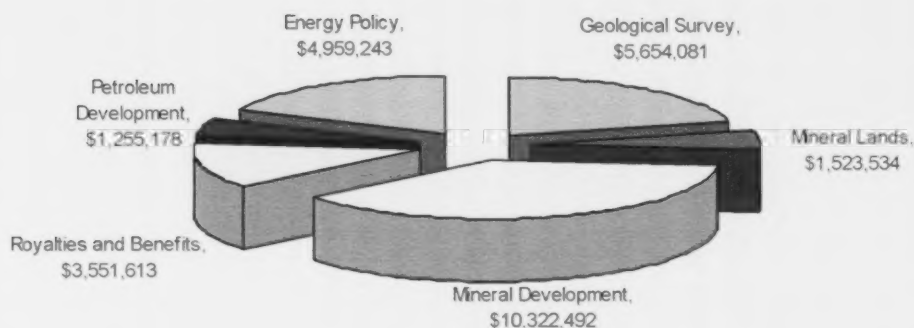


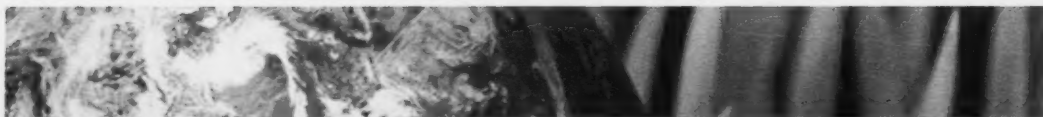
Mines and Energy Branches

Budget

Expenditures for the Mines and Energy Branches for fiscal year 2010-11 were \$56.1 million. This figure does not include \$38.2 million related to executive and support services that were shared with the Forestry and Agrifoods Agency. The chart below illustrates expenditures for the divisions of the Mines Branch as well as the three sections of the Energy Branch. In addition to these amounts, Energy Branch expenditures included \$8.9 million for initiatives associated with Energy Plan implementation, as well as a \$16 million allocation to Nalcor Energy and its subsidiaries to facilitate participation in oil and gas activities and other energy projects. Expenditures also included a net amount of \$3.9 million that the department contributed toward the operating and capital costs of the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB). For more information on expenditures for the year, refer to Appendix II.

2010-11 Expenditures by Division/Section





Mines and Energy Branches

Mandate

The mandate of the Mines and Energy Branches includes supervision, control and direction of all matters relating to promotion, exploration and development of mineral and energy resources and related industry developments including:

- Mines, minerals, quarries, and quarry materials;
- Onshore petroleum resources;
- Offshore petroleum resources, managed jointly with the federal government;
- Electrical generation and transmission;
- Overall responsibility for provincial energy supply and demand;
- Development, monitoring, supervision, assistance or other government intervention into any of the industries as described above;
- Petroleum royalties and associated matters, within or outside the province; and,
- Identifying, assessing and monitoring industrial benefits commitments from major resource development projects.

For a complete list of all legislative responsibilities that inform the departmental mandate, please refer to Appendix I and/or the House of Assembly website at www.assembly.nl.ca.

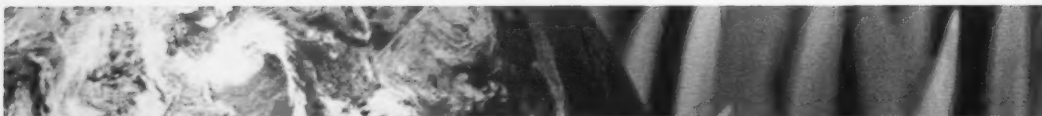
Lines of Business

Resource Policy

Working closely with key stakeholders, the department develops resource policy, and coordinates and facilitates sustainable development and management. In doing so, the department directly and indirectly develops, monitors and/or initiates supporting regulatory and benefits optimization activities.

Resource Management

In the onshore area of the province, the department ensures industries follow appropriate resource management practices and comply with mines and energy regulations. The department facilitates well-planned, responsible resource management



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activities and is responsible for monitoring almost all aspects of these activities. Mineral and petroleum resource management activities also include title allocation, administration and ensuring compliance with site development and rehabilitation requirements⁶.

In the offshore area, the department discharges its operational management and administration functions for offshore petroleum activity under a joint federal-provincial regime administered by the C-NLOPB.

In the electricity resource area, involvement in resource management is indirect and implemented through the Board of Commissioners of Public Utilities and Hydro, a subsidiary of Nalcor Energy.

The department is also responsible for petroleum royalty regime development and the administration of onshore and offshore petroleum royalties.

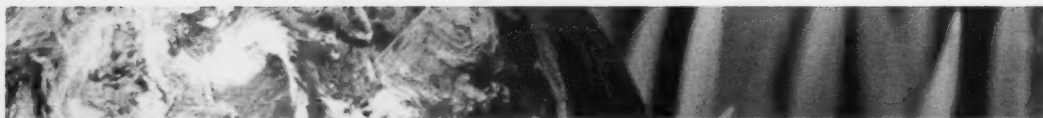
Resource Exploration and Assessment

This line of business includes several activities that precede resource development, including the gathering, interpretation and dissemination of geoscience data and the provision of exploration incentives. The activities of the department in this area are designed to support and encourage exploration, investment decisions, permitting and development opportunities.

Promotion and Facilitation of Resource Development

Resource development builds on exploration and resource assessment. Resource development projects generally tend to be long term and capital intensive and, as such, generate significant economic and employment benefits. These projects can be important catalysts of growth, particularly for rural areas, as well as for the development of industrial infrastructure and the province's supply and service capabilities. Activities are specifically directed to negotiating, promoting and facilitating well-planned, responsible mineral and energy development and associated business and employment opportunities.

⁶ A number of onshore resource management activities are carried out by the Department of Environment and Conservation (e.g., monitoring compliance with environmental regulations and land use management, etc.) and the Department of Government Services (e.g., monitoring compliance with occupational health and safety regulations).



Mines and Energy Branches

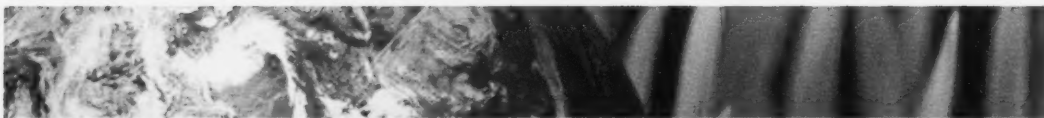
Primary Clients

The department is, ultimately, accountable to the residents of the province. Other primary clients include:

- Exploration and resource development companies;
- Electrical generation and supply distribution companies;
- Industrial and residential electricity customers;
- Supply and service companies in the resource and electricity sector; and,
- Other provincial government departments, crown corporations and agencies.

Vision

The vision of the Department of Natural Resources is a province that realizes the full benefit from the sustainable development of its natural resources.



Mines and Energy Branches

2010-11 Year in Profile

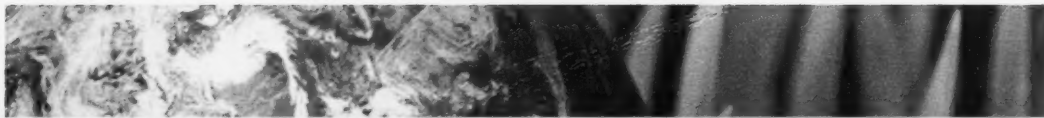
The following section takes a focused look at major accomplishments that occurred during the 2010-11 fiscal year.

1. First Production from North Amethyst Marks First Production in a Field Where the Province has an Equity Stake

On May 31st at 3:00 pm, first oil production occurred from North Amethyst, the first White Rose satellite development. This also marked the first oil production from a field in which this province has an equity stake in every barrel that is produced. Government, through Nalcor Energy – Oil and Gas, holds a five per cent working interest in North Amethyst.

This development ultimately will return to the province super royalties of 36.5 per cent when oil prices are above \$50 U.S. per barrel. When oil prices are below \$50 U.S., the 30 per cent generic royalty regime applies. Through its policy of acquiring equity stakes, government is ensuring that the people of Newfoundland and Labrador play a meaningful role in the development of the province's natural resources. Combined with improved royalty regimes and greater local benefits, this approach ensures that we are receiving the best possible value for the development of our non-renewable resources.

In addition to the benefits that will accrue as partner in this project, production from North Amethyst also clearly demonstrates the opportunities that exist in the growth and development of established fields. The White Rose oil field has grown substantially since first production in 2005. The province continues to work with industry to find ways to economically extend the lifespan of mature, producing oil fields through subsea tie-backs to existing infrastructure. The North Amethyst development will enable us to offset the natural declines at the main White Rose field with an additional 68 million barrels of recoverable oil.



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2. Lower Churchill Construction Project Ensures Opportunities for the People of Newfoundland and Labrador

The Lower Churchill Project is often identified as the most attractive, undeveloped hydroelectric project in North America and has the potential to provide significant long-term benefits to the province through the generation and transmission of clean, renewable, energy. During 2010-11, the province made significant progress toward project development, two of which are noted below.

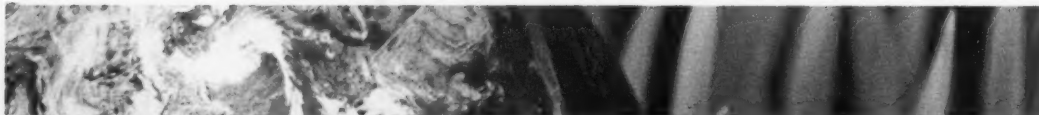
Lower Churchill Benefits Strategy

The Lower Churchill Construction Projects Benefits Strategy was released on July 14, 2010 by the Provincial Government. The strategy was developed to ensure opportunities for the people of Newfoundland and Labrador during the construction phase of the Lower Churchill development. The project includes at least 21.5 million person hours of construction employment on two hydroelectric developments at Gull Island and Muskrat Falls, as well as the Labrador-Island Transmission Link, and at least 6.5 million person-hours in engineering and project management and specific gender equity and diversity programs. The Lower Churchill Construction Projects Benefits Strategy is available at www.gov.nl.ca/nr.

Partnership Agreement with Emera Inc. for Development of Muskrat Falls

The release of the benefits strategy was followed on November 18th, 2010 by the announcement of a partnership between Nalcor Energy and Emera Inc. to develop phase one of the Lower Churchill Project. This arrangement complements the partnership already in place between Nalcor and the Innu Nation. The Nalcor/Emera deal will result in the development of Muskrat Falls, with power being transmitted from Labrador across the Strait of Belle Isle for use on the Island of Newfoundland. Power will be available for recall use for industrial development in Labrador. Nalcor will then transmit surplus power from the Island to Nova Scotia Power, a subsidiary of Emera, across the Cabot Strait into Lingan, Nova Scotia.

The Lower Churchill Project is comprised of two phases of development. In Phase I, Muskrat Falls will be developed with 824 megawatts of power while Phase II, expected



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to start several years after Muskrat Falls, will focus on Gull Island which will deliver 2,250 megawatts.

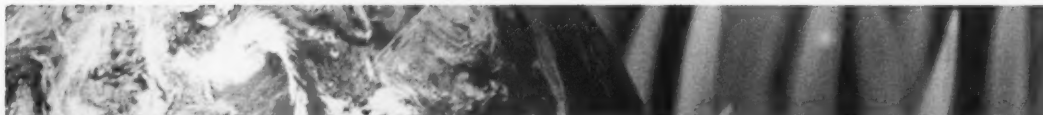
Newfoundland and Labrador Hydro is mandated to forecast electricity requirements in the province and bring forward the least cost, long-term option for meeting these requirements. As a result of growing provincial demand for electricity, Hydro evaluated alternatives to develop new generation sources and found the Muskrat Falls project with a transmission link to the Island to be the least cost alternative. The Muskrat Falls option is also more environmentally acceptable than maintaining an "isolated" island power system that would retain Holyrood in operation as a major source of greenhouse gas emissions. Once the Muskrat Falls development is operational, the energy price structure in the province will be stable and at a lower cost for consumers over the long term, and the province will avoid the volatility associated with the price of oil.



Infrastructure

The Muskrat Falls development of the Lower Churchill Project is expected to take approximately six years and benefits modeling is based on the following components:

- The Muskrat Falls Generating Facility
- The Labrador Transmission
- The Labrador - Island Transmission Link
- The Maritime Transmission Link



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Highlights of the agreement:

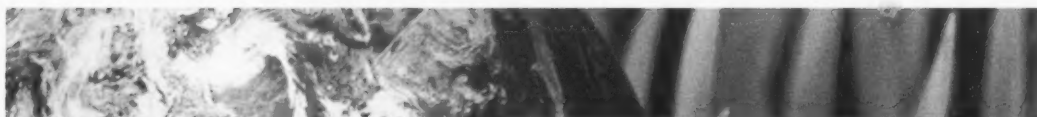
- 8,600 person-years of work on the project within the province between 2011 and 2017, with 5,400 of these person-years occurring in Labrador. Adding the indirect and induced economic impact, there will be 18,400 person years of work in the province, and 47,800 person years in the whole country; with peak employment of approximately 2,700.
- Surplus capacity from Muskrat Falls can be recalled as needed for industrial development in Labrador.
- The generating station at Muskrat Falls will be 100 per cent owned and operated by Nalcor Energy.
- Total transmission systems (the Labrador Transmission line, the Labrador-Island Link and the Maritime Link) will be majority owned by Nalcor Energy (51 per cent) and minority owned by Emera Inc. (49 per cent); this ownership structure will be assigned to assets as follows: Nalcor will hold 100 per cent of the Labrador transmission and 71 per cent of the Labrador-Island Link, while Emera will hold 29 per cent of the Labrador-Island Link and 100 per cent of the Maritime Link.
- Nalcor Energy has the option to acquire full ownership of the Labrador-Island link at any time and in any event it will revert back to Nalcor Energy in 50 years.
- At the termination of the delivery of the Nova Scotia Block, ownership of the Maritime Link will revert back to Nalcor Energy for \$1.
- All engineering for the generation and the Labrador-Island link will be done in the province.
- First consideration for jobs in Labrador will go to the Labrador Innu as outlined in the New Dawn Agreement, then to Labrador residents, and then to residents of the province generally.
- Of the total 4.9 terawatt hours per year of power to be produced, initially 2.0 terawatts will be allocated to the Island to meet domestic demand and to displace expensive, dirty bunker "C" oil used in Holyrood.
- Approximately 1.0 terawatt hours per year, or 20 per cent of the output of Muskrat Falls, will be provided to Emera Inc. for use in Nova Scotia. In exchange, Emera will invest over \$1.2 billion, or 20 per cent of the overall capital cost of the



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entire project, and will be responsible for 20 per cent of the operating costs of the entire project for the 35-year life of the contract. As an additional investment, but not associated with a power sale, Emera will invest approximately \$600 million towards the Labrador-Island Link in exchange for transmission rights for Nalcor Energy in Nova Scotia, New Brunswick and New England.

- The remaining power will be sold into the Maritime provinces and the New England market place. Nalcor Energy will be able to sell power in these jurisdictions as a result of gaining existing transmission rights from Emera Inc. The total cost of the project will be approximately \$6.2 billion.
- With Muskrat Falls, the Newfoundland and Labrador electricity system will be run on 98 per cent renewable, emission-free energy.
- Emera Inc. will receive regulated rates of return on its investments in the Maritime Link and other transmission assets.



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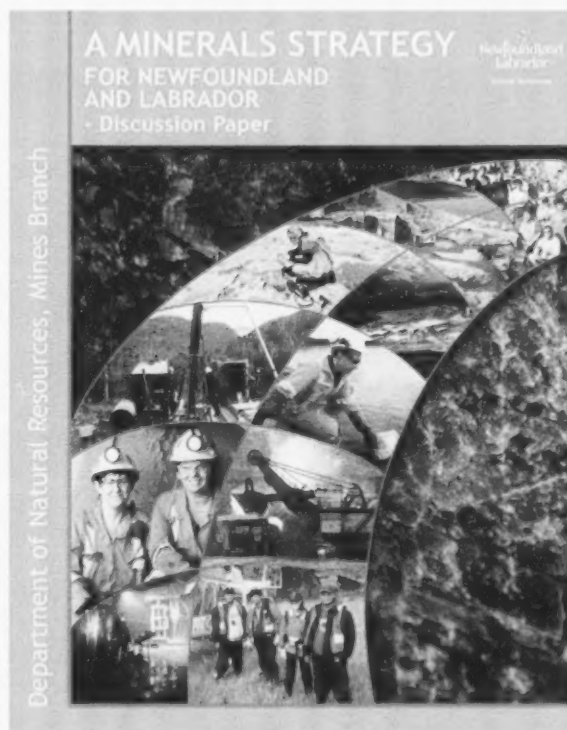
3. Public Consultations for Development of Provincial Minerals Strategy

The mining industry in Newfoundland and Labrador is a major contributor to the provincial economy contributing an average of nine per cent to the Gross Domestic Product over the last five years. The forecasted gross value of mineral shipments for 2011 is \$4.7 billion and exploration expenditures for this year are expected to be \$123 million. The industry employs over 5,000 women and men, many in rural communities in Newfoundland and Labrador.

On February 9th the Honourable Shawn Skinner, then Minister of Natural Resources, announced a series of public consultations to provide opportunity for industry, Aboriginal groups, and other interested individuals or organizations to provide input into the development of a provincial Minerals Strategy.

As noted by the Minister, the drafting and implementation of a provincial Minerals Strategy will help ensure our mineral resources are developed in an environmentally-responsible manner, while supporting exploration and development opportunities. The strategy will allow government to capitalize on the economic and employment opportunities associated with the forecasted growth of the sector, and ensure the mining industry in the province is competitively positioned to attract continued investment and exploration.

Public consultation sessions were held in: Baie Verte; Clarendville; Corner Brook; Gander; Grand Falls-Windsor; Happy Valley-





Mines and Energy Branches

Goose Bay; Labrador City; Long Harbour; Nain; Port Hope Simpson; St. Anthony; Stephenville; Marystown; and St. John's. A discussion paper was developed to assist in the consultation process.

The Mineral Resources Branch of the Department of Natural Resources will be overseeing the development of the strategy. Strategy objectives are as follows:

- To maximize and effectively invest the value received from mineral resources to ensure current and future generations benefit from their development, while still providing a fair return to companies that participate in their development;
- To ensure the long-term viability of the minerals industry by ensuring continued mineral exploration, discovery and development;
- To use the mineral sector to provide economic opportunities and jobs through wise use of our resources;
- To ensure the best policies and programs are in place to facilitate growth and provide support to industry;
- To ensure that Newfoundland and Labrador can successfully compete globally for mining and exploration investment;
- To ensure all people of the province have access to opportunities in the industry in an equitable fashion; particularly those groups under-represented;
- To maximize benefits by building a sustainable industry with as much primary and secondary processing performed in province as possible;
- To ensure mineral exploration and development respects obligations set out in the Labrador Inuit Land Claims Agreement, or duties arising from any applicable assertion of Aboriginal rights;
- To ensure that adequate infrastructure exists to support exploration and mine development; and,
- To ensure development of mineral resources is environmentally sustainable.



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4. Mining Activity in Labrador

Newfoundland and Labrador's mining industry is currently experiencing a strong period of growth. Several exciting projects are on the horizon. Exploration expenditures for 2011 are forecast to be \$32 million on the island and \$91 million in Labrador with iron ore, base metals and rare-earth elements continuing to be a major focus of exploration. As evidenced by these exploration forecasts, the mineral sector has been particularly strong in Labrador. The items below highlight some of the developments underway in Labrador during 2010-11 and one of the initiatives the department completed during the year to support further growth in the sector.

Geoscientific Maps Support Mineral Exploration in Eastern Labrador

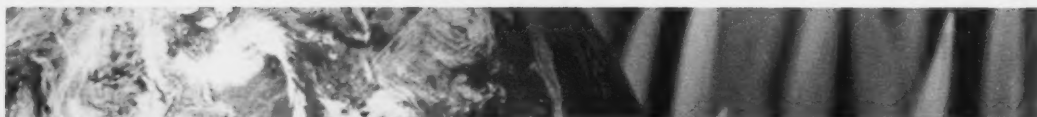
To identify areas of significant mineralization and help boost exploration activity in the region, a series of high-quality, full-colour geological maps of Eastern Labrador were made available by the department on February 18.

The maps increase the collection of geoscientific information, allowing the province to build upon existing knowledge and assist local companies in identifying prospective areas for future exploration. The release of this map collection is the culmination of 30 years of research and data collection in the region. This effort will help advance the provincial mining industry, contribute to ongoing mineral exploration, and attract investment to Newfoundland and Labrador.

Twenty-six maps were produced as part of this extensive collection of work, covering a total land area of 80,000 square kilometres. The maps provide 25 per cent of new data for Labrador and a summary of eastern Labrador's geological makeup.

These maps complement other work highlighting the region over the last 12 months. In June 2010, high-density lake sediment data collected from different parts of Eastern Labrador was released. This was followed by the issuing of a report entitled, Mineral Occurrences and Metallogensis in Eastern Labrador, in November 2010.

A particular area of interest included in the new map collection is Port Hope Simpson in southeastern Labrador where exploration activity is underway. Preliminary testing indicates significant rare-earth element mineralization in this area.



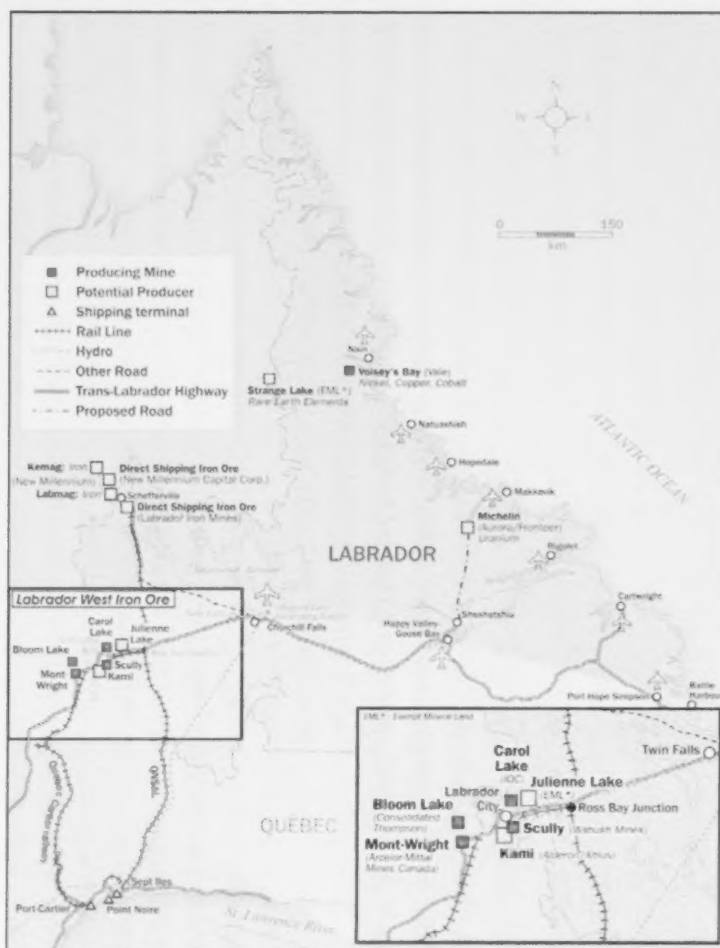
Mines and Energy Branches

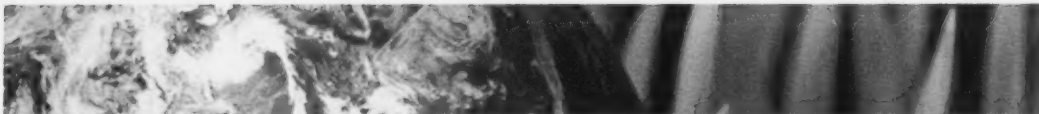
Mineral Developments in Labrador

Labrador offers tremendous opportunities within the mineral sector. In total 98 per cent of existing mineral production in the province comes from Labrador and 82 per cent of Labrador is open for staking and mineral exploration. There are huge areas of high mineral potential in this region of the province offering opportunities for more major discoveries.

Two key developments currently underway are the Elross Lake and Labrador Iron Mines projects. The **Elross Lake Project** is a high grade, direct shipping iron ore project that proposes to mine and process iron ore at the site of former Iron Ore Company of Canada operations near Elross Lake in northwest Labrador. The project is a joint venture between New Millennium Capital Corporation and Tata Steel, a large steel producer with operations in the UK to which iron ore from the project will be shipped.

Construction has started on phase one of the project and a phase two expansion plan remains under assessment. Production from the part of the project that is located in Labrador (the project spans the Quebec-



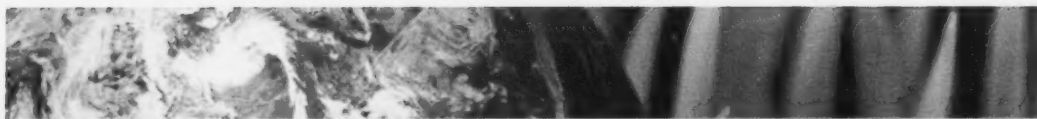


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Labrador border) is expected to be between 1.5 and 3 million tonnes of iron ore during years 1 to 3 of the operation. Once the project is operational, 188 direct jobs are expected to be created. The project is expected to have capital costs of about \$300 million; about 75 per cent of these costs will be spent in Newfoundland and Labrador. Construction is expected to begin by mid 2011 and to be completed by Q4, 2012.

The **Labrador Iron Mines (LIM) Project** is currently mining and processing high grade, direct shipping iron ore at the site of former Iron Ore Company of Canada operations in northwest Labrador. LIM's public filings estimate that up to five million tonnes of iron ore can be produced per year from the project, although that level would not be attained until after year three and would require further permitting.

The current project has a five year schedule that calls for peak production of about 1.5 - 2.0 million tonnes of shipments in years 2, 3, and 4. Although the initial life of mine estimate is about 5 years, an extension up to 15 years is possible if other nearby deposits are registered, permitted and approved. About 110 people would be employed during fully ramped-up operations.



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Outcome of Goals and Objectives

This section of the Annual Performance Report details the significant work undertaken and completed by the department on its goals over the 2008-11 planning period as well as its objectives for 2010-11. For each of the four issue areas identified in the 2008-11 strategic plan, results will be presented first for the relevant annual objective, and associated indicators, followed directly by the results for the related three-year goal and goal indicators.

Issue 1: Identification and Promotion of Resource Development Opportunities

The mineral and petroleum sectors are significant contributors to Newfoundland and Labrador's economy. The revenues to the province from these sectors help enable the provincial government to invest in social and economic programs such as education, health care, and infrastructure maintenance and enhancement. Continued progress in these industries is key to ongoing social and economic development in the province.

To keep resource revenues flowing for the long-term, new resource developments will need to come on stream. For that to happen, new, economically viable resources must be found. Newfoundland and Labrador possesses significant undiscovered and underdeveloped resources including an estimated 6 billion barrels of oil and 60 trillion cubic feet of natural gas. Similarly, the province's onshore geology is such that the likelihood of discovering new, profitable mineral deposits is high.

Two of the most important elements required for new discoveries to take place are the continued collection of geoscience data and the promotion of this information to exploration and development companies around the world. Over the planning period, the department engaged in numerous initiatives in support of these two priority areas. These efforts were in direct support of government's strategic directions of *sustainable resource development and usage for the long-term benefits of residents of the province*, as well as *increased natural resource development and diversification*.



Drill Rig Henry Goodrich



Mines and Energy Branches

Annual Objective / Indicators: 2010-11

Objective: By March 31, 2011, the Mines and Energy Branches will have improved access to enhanced information on resource development opportunities.

Measure: Improved access to enhanced information

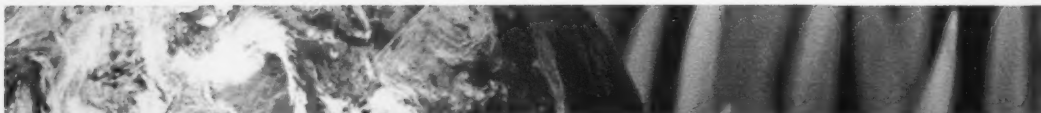
Objective Indicator Progress

1. Enhanced the Geoscience Online application to improve access to geoscience information

Over the past year, the department added numerous new layers⁷, and updated existing layers, in the Geoscience Online application. Many improvements were made to the usability of the application with links to more detailed information, explanatory text and documentation to assist the exploration community in searching and evaluating the mineral potential of the province. "How to" notes were added to the Map Viewer "Help" file to assist new users in discovering and using the wealth of information available. One of the major improvements was the integration of higher quality base maps from the federal government's "CanVec" data set.

Ongoing enhancements to Geoscience Online were further supported by the 2010 launch of the new Department of Natural Resources website that introduced several new ways to access publications including new technical interpretations of geoscience data.

⁷ "Layers" is a Geographical Information System (GIS) term referring to sets of data that can be accessed individually or superimposed on a computer screen, usually with some sort of map. When they are superimposed more information can be obtained by combining two or more layers.



Mines and Energy Branches

2. Released geoscience data acquired over the last two years

One of the most significant releases during the year was the Open File⁸ release of 25 1:1 000 000 bedrock geology maps and a 1:500 000 mineral occurrence map of southeast Labrador. This Open File includes significant new information regarding mineral occurrences in the department's Mineral Occurrence Database System (MODS), some formerly unlisted. All currently known mineral occurrences are reviewed and interpreted in the Open File report, accompanied by published and unpublished geochemical data for selected elements. Various models and suggestions regarding potential exploration targets are given. The new maps, that include tabulations of mineral occurrences, isotopic data and bibliographic sources for each map region, embody new geological interpretation and, collectively, represent a state-of-the-art geological synthesis of eastern Labrador.

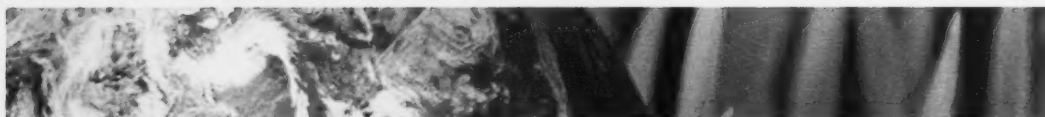
A portion of the geoscience data collected in the previous two fiscal years by the Geological Survey's Mineral Deposits Section was released in digital format during the year and discussions of the findings from the work over that period appeared in the Geological Survey's Current Research Series, as well as in external papers and presentations. Open File reports of geochemical data from Labrador and Newfoundland collected in 2008 and 2009 incorporated results acquired in previous projects, and supplement the earlier reports on these. In addition, during 2010, the Mineral Deposits Section initiated work on rare-earth element mineralization in Labrador the results of which were summarized in Current Research volumes.

3. Increased access to the department's geoscience information and the province's resource opportunities through continued marketing and promotional efforts including:

- Continued implementation of the Minerals Promotional Plan

The Minerals Promotional Plan is a branch wide-initiative that covers the development and delivery of the majority of the department's marketing and promotional efforts related to mineral resources and the mineral industry.

⁸ Open Files are published at various times throughout the year. These are often preliminary in nature, or include results that require timely publication due to immediate impact on exploration. Open Files might include bedrock geology maps, quaternary/surficial geology or aggregate maps, airborne geophysical maps, till, lake-sediment or water geochemistry maps, or assay results, amongst other topics. If the publication of these data is forecast to cause new claim staking, the Open File is given "timed release" status.

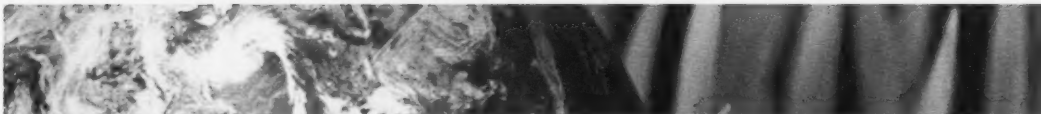


Mines and Energy Branches

Accomplishments during 2010-11 included:

- Development and launch of a new "Explore Newfoundland and Labrador" web page, that houses a virtual trade show booth including up-to-date promotional materials and trade show presentations;
- Development and launch of a new Mandarin web page promoting Newfoundland and Labrador mining and mineral exploration to Chinese investors with strategic promotional materials translated into Mandarin;
- Articles on the Newfoundland and Labrador minerals sector published in Canadian Mining Magazine and CIM Annual Outlook issue;
- Met on a regular basis with visiting investors from elsewhere in Canada and abroad to discuss and promote opportunities in the province's minerals sector;
- Assisted prospectors in developing promotional materials and promoting their mineral properties, either at conferences or through informal, office-based meetings and communications;
- Participated in a number of important industry conferences and exhibitions including the China Mining Conference and Exposition, Baie Verte Mining Conference, Labrador Expo, PDAC, Exploration Roundup, and Quebec Exploration;
- Coordinated Department of Natural Resources exhibits, presentations and related marketing at the provincial Mineral Resources Review
- Organized and participated with Canadian junior exploration companies and other Canadian governments in mining and exploration investment forums in Beijing and Hong Kong;
- Created a new temporary position dedicated to technical promotion and marketing of the Newfoundland and Labrador mineral sector, including investment opportunities, mineral potential and existing public and private sector data available on-line/in-house.

Review articles, prepared by the Geological Survey's Mineral Deposits Section, on molybdenum and tungsten potential (2009) and on rare-earth elements (2011) also formed a useful part the promotional effort in giving geological background on these important commodities.



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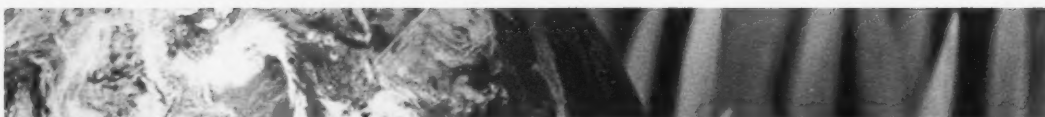
- Continued implementation of the Petroleum Resource Marketing Plan including attendance at recommended international geoscience conferences and exhibitions, advertising campaigns and business development initiatives

Implementation of the Petroleum Resource Marketing Plan continued in 2010-11. The Marketing and Promotion group participated in 11 national and international conferences that were sponsored by organizations such as the American and Canadian Associations of Petroleum Geologists. Attendance at these shows allowed for direct industry contact with exploration managers in national and international petroleum companies.

In connection with the C-NLOPB's 2010 Call for Bids for offshore exploration rights, both print and electronic advertisements were placed in various industry publications highlighting the resource opportunities. Bid parcels are awarded to the companies who submit bids representing the highest work commitments which, in addition to exploration activities, can include up to five per cent of their bid going into research and development and support for education and training in the provincial oil and gas industry. Successful bids totaling in excess of \$115 million were received by the Board in this Call for Bids exercise raising the total outstanding work commitments in the province's offshore to almost \$1.0 billion.

- Creation and publication of petroleum resource development promotional material including resource opportunity brochures, basin overview summaries and a comprehensive resource promotional CD

Four geoscience-focused promotional brochures were prepared highlighting the attributes of sedimentary basins around Newfoundland and Labrador. These brochures, along with a wealth of other industry information, were contained on a promotional CD that was distributed at various events sponsored by the Department of Natural Resources, as well as other provincial and federal departments. In 2010-11, approximately 2,000 CDs were distributed.



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Three-Year Goal / Indicators: 2008-11

Goal: By March 31, 2011, the Mines and Energy Branches will have enhanced our knowledge base of geo-science data to identify opportunities for resource development and will have improved promotion of these opportunities.

Measure 1: Enhanced our knowledge base of geo-science data

Goal Indicator Progress

1. Acquisition of quality geoscience data for both the onshore and offshore areas

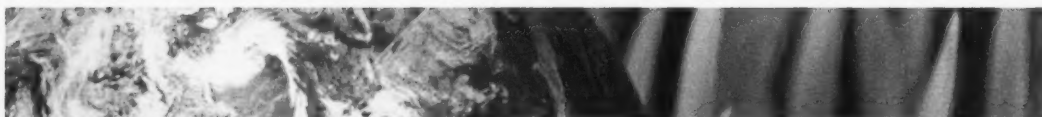
Over the planning period, the department fulfilled its commitment to increase the amount of geoscience data available for both the onshore and offshore areas of the province. In each year the department's Geological Survey staff conducted field programs around the province to conduct geological mapping and collect new data in areas of known or suspected mineral occurrences. At the same time, analysis was completed on data from earlier programs and made available to prospectors and exploration companies. The department provided funding to Nalcor to establish the Petroleum Exploration Enhancement Program (PEEP) geared toward collecting new onshore geoscience data. Through the PEEP initiative, along with departmental programs, new data was collected on the geology of western Newfoundland, benefiting both the mines and energy sectors. Similarly, funding was provided to Nalcor Energy for the Offshore Geoscience Data Program (OGDP) which resulted in new information on the geology of a number of offshore regions.

Measure 2: Improved promotion of these opportunities

Goal Indicator Progress

1. Improved promotion of resource development opportunities through participation in strategically selected industry trade shows and conferences

The Minerals Promotional Plan and the Petroleum Resource Marketing Plan, both developed during the planning period, provided the basis for improved promotion of

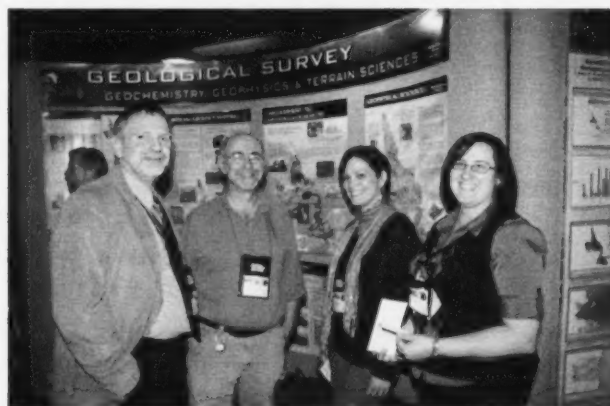


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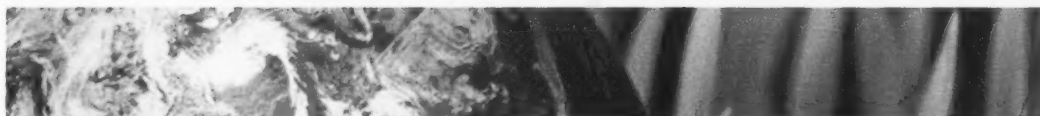
resource development opportunities. As part of plan implementation, representatives of the Mines and Energy branches attended targeted conferences and exhibitions at local, national and international venues. Events were strategically chosen, based on plan guidelines, according to their expected audiences and related promotional impact/value. For example, Mines staff attended several conferences in China, recognizing the increasing demand for raw materials in that region and the associated opportunity for investment. Similarly, Energy staff attended industry-leading conferences in Houston and the North Sea, among others. Throughout the period, promotional teams were able to present new and improved promotional materials as a result of the department's ongoing efforts to collect, analyze and distribute geoscience data.

2. Implemented other areas of promotional plans to support increased exploration and investment in the minerals and energy sectors

Promotional plans included the production and distribution of promotional materials on the province's mineral and resource opportunities. Reports, maps and other materials were produced as well as promotional CDs containing geoscience data. These materials were made available at conferences and trade shows and were also distributed directly to potential investors and exploration companies.



Mines Branch staff at Mineral Resources Review



Mines and Energy Branches

Issue 2: Improved Efficiency and Effectiveness of Regulatory Systems

An important element in sustaining resource development activity in the petroleum and mining sectors is ensuring that the province has competitive policy and regulatory frameworks in comparison with other jurisdictions. These frameworks need to be well-defined, clearly communicated and take a balanced approach toward development. Government must ensure that development is performed in a safe and environmentally responsible way that maximizes the yield from each resource project and that maximizes the benefits to the people of Newfoundland and Labrador. At the same time, however, it is important that the province's regulatory and policy environments do not deter resource development. Throughout 2009-10, significant progress was made toward the improvement of legislation, regulations, policy and other resource management practices. This work will continue into the 2011-14 planning cycle and is in direct support of the government's strategic direction of *sustainable resource development and usage for the long term benefit of residents of the province*.

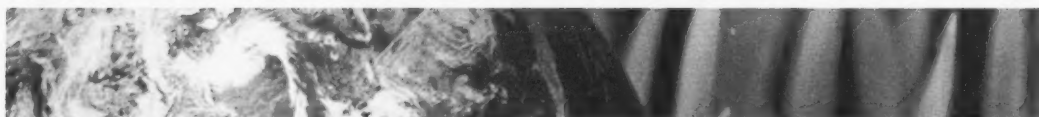
Annual Objective / Indicators: 2010-11

Objective: By March 31, 2011, the Mines and Energy Branches will have enhanced the competitiveness of the mines and energy sectors and continued to identify opportunities for further enhancements to regulatory systems.

Measure: Enhanced competitiveness and continued identification of opportunities for further enhancements

Objective Indicator Progress

1. Improved regulatory systems for the oil and gas sector through further work on:
 - Natural Gas Royalty Regulations
 - Onshore Petroleum Drilling, Production and Conservation Regulations
 - Offshore Framework Regulations
 - Changes to regulations related to offshore occupational health and safety



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As detailed below, progress has occurred during the year in each of the regulatory areas targeted, however, no regulatory changes were put in place. Regulatory development and amendments in the mines and energy sectors are challenging, often involving agreement from other regulating bodies in other jurisdictions. In addition, regulatory work must take into account the continually changing economics, technologies and global trends emerging in the mining and petroleum industries. As a result of this complexity, the process takes considerable time. Through continued assessment and consultation the department is moving closer to finalizing the regulatory changes noted work in this area will continue over the next planning cycle.

Natural Gas Royalty Regulations

Work on the Natural Gas Royalty Regulations continued to progress during the year and at year-end the draft regulations were undergoing revision. Since work started on these regulations in 2008-09, changing economics and technological developments in the natural gas industry led to further analysis being required to ensure the foundation for the regulations remains relevant and applicable. As a result, progress has been slower than expected.

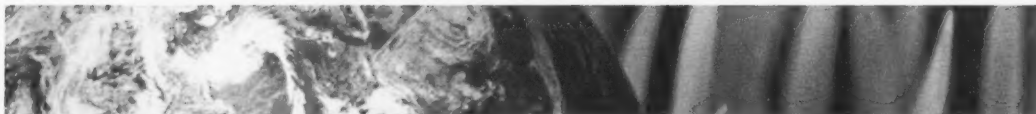
Onshore Petroleum Drilling, Production and Conservation Regulations

During the year, consultations on the proposed Onshore Petroleum Drilling, Production and Conservation Regulations were conducted within government. To achieve this, draft regulations were circulated to various government departments and agencies for input. The department subsequently held a series of sessions to consider and discuss all comments received. Feedback will be incorporated, as appropriate, into the regulations.

Offshore Framework Regulations

The first draft of the Offshore Framework Regulations was finalized in May 2010 and provided to the Department of Natural Resources and its partners in the Frontier Offshore Regulatory Renewal Initiative (FORRI) for review and commentary. Preliminary discussions by FORRI participants⁹ took place during the year on the draft regulations.

⁹ In addition to the Department of Natural Resources, FORRI participants include: Natural Resources Canada, Indian and Northern Affairs Canada, National Energy Board, Canada-Nova Scotia Offshore Petroleum Board, Canada-Newfoundland and Labrador Offshore Petroleum Board, Nova Scotia Department of Energy, British Columbia Offshore Oil and Gas Team, Quebec Department of Natural Resources, New Brunswick Department of Natural Resources, Prince Edward Island Department of Development and Technology, Government of Yukon, Government of Northwest Territories, and Government of Nunavut.



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Regulations related to Offshore Occupational Health and Safety

Officials with the provincial and federal governments, the C-NLOPB and the Canada-Nova Scotia Offshore Petroleum Board have been working cooperatively to develop a comprehensive legislative regime for offshore occupational health and safety. This work continued in 2010-11 and when completed will give regulation-making powers to governments to develop modern offshore occupational health and safety regulations.

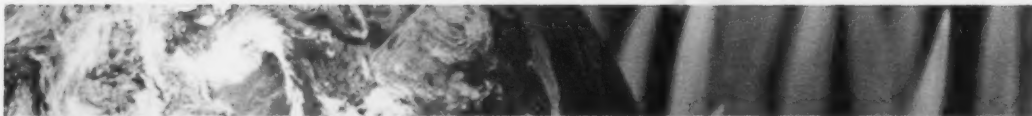
2. Initiated review of electricity regulation

The primary purpose of reviewing the province's electricity regulations is to identify any amendments that may be necessary to enable transmission and sale of provincial electricity outside the province. During the year, the department proceeded to have in depth discussions with Nalcor on project specific requirements for changes to electricity regulation. In addition, a regulatory advisor was hired to assist in the development of regulatory changes to facilitate the development of the Lower Churchill Project.

3. Identified opportunities for enhancement to the regulatory systems for the mining industry through continued work on the Minerals Strategy

Phase Two of the Minerals Strategy initiative started during the year with the release of a discussion document in February, 2011. Subsequently, public consultation sessions were held across the province and the department invited interested parties to provide oral and / or written submissions on relevant topics.

Through this information gathering exercise, several themes emerged in the commentary received on regulatory systems. In particular, feedback suggested that improvements are required to regulatory requirements and processes in the areas of permitting and environmental assessment. These theme areas represent opportunities for regulatory enhancement and will be further studied and considered by the department during 2011-12 as it works to formulate a Minerals Strategy policy document. This strategy will guide government's direction in the coming years on regulatory and other matters related to the minerals sector.



Mines and Energy Branches

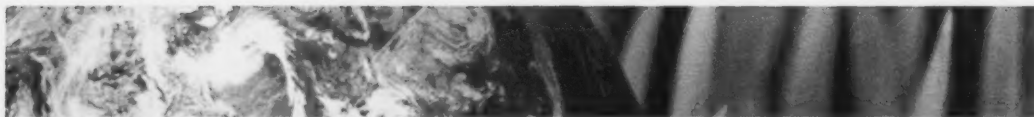
4. Implemented the Mineral Exploration Approval Management System (MEAMS)

Toward the end of the year, work was nearing completion on the development of MEAMS, a system that will help facilitate the timely processing of permits and approvals for mineral exploration projects. The system will be operational for in-house use during the summer of 2011 and will be fully operational for client use online by the fall of 2011. It was expected that the system would be fully implemented before the end of 2010-11 however there was some slippage in the overall timelines due to challenges associated with the scheduling of a vulnerability assessment for the application.¹⁰

Annual Objective Variance

As evidenced by the indicators reported above, the department was successful in progressing all initiatives that were targeted for the year. While it would have been preferred that regulatory enhancements had been put in place during the year, this was not possible. To responsibly implement regulatory change and complete strategy development work input from numerous stakeholders is required and many factors outside the department's direct control must be considered. For this reason, the department has extended the timelines on these initiatives with work continuing into the next planning period.

¹⁰ A vulnerability assessment (VA) examines the security of an information technology system against unauthorized access (i.e., hacking) by external parties. Due to their very nature, VAs are normally conducted by specialized, external consultants.



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Three-Year Goal / Indicators: 2008-11

Goal: By March 31, 2011, the Mines and Energy Branches will have improved regulatory systems to enhance the competitiveness of the mines and energy sectors.

Measure: Improved regulatory systems

Goal Indicator Progress

1. Improved regulations which provide a more responsive regulatory environment for the onshore and offshore industry and to expand potential markets for electricity

Over the planning period, the department implemented regulatory improvements in the onshore with updates to mining regulations and in the offshore with new drilling and production regulations. Improvements were also made related to electricity production with the introduction of new regulations for water management. Improvements related to the expansion of electricity markets were not implemented, however, resulting in a partial achievement of this indicator. More details are provided below.

Offshore

Through its partnership in FORRI the province has been moving forward with a transition from prescriptive to goal-oriented regulation through a phased renewal of offshore petroleum regulations.

On December 31, 2009, *Offshore Petroleum Drilling and Production Newfoundland and Labrador Regulations, 2009* and consequential amendments to the *Offshore Petroleum Installations Newfoundland and Labrador Regulations* and the *Offshore Certificate of Fitness Newfoundland and Labrador Regulations* were promulgated. The new drilling and production regulations replaced previously existing, prescriptive regulations, the *Offshore Area Petroleum Production and Conservation Newfoundland and Labrador Regulations* and the *Offshore Petroleum Drilling Newfoundland and Labrador Regulations*. In addition to adopting a goal-oriented approach, the new regulations resulted in improved regulatory efficiency and clarity and allow for more efficient and



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effective regulatory administration. Goal-oriented regulation is a hybrid approach that includes prescriptive and goal or performance-based elements. Prescriptive regulation dictates the means by which compliance is achieved, whereas goal or performance-based regulation sets objectives to be achieved and allows companies to identify the means to achieve them. Goal-oriented regulation places a greater onus on the operator for meeting these goals while providing flexibility to industry for the adoption of the newest technologies and best practices.

The department's work with FORRI during the period also resulted in progress toward new Offshore Framework Regulations as well as new regulations related to offshore occupational health and safety. In addition, the department drafted new Natural Gas Royalty Regulations which will provide greater clarity to operators regarding royalty expectations associated with offshore natural gas developments. For more information, refer to Objective Indicator 1 above.

Onshore

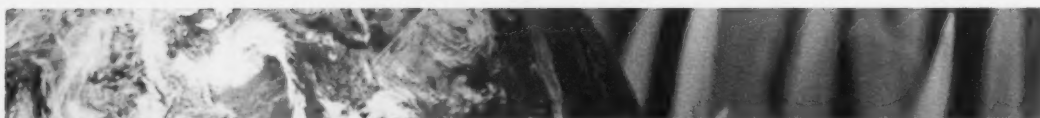
On April 23, 2010, amendments to the *Mineral Regulations* under the *Mineral Act* were proclaimed. These amendments, primarily, made the regulations more responsive to current practices by eradicating rules that were a legacy of the ground staking method of claiming mineral rights (physical marking of claims on the ground). This old method was replaced by a map-based staking process in 1995.

During the period, the department also made considerable progress toward the development of new goal-based Onshore Petroleum Drilling, Production and Conservation Regulations. For more information, refer to Objective Indicator 1 above.

Electricity

On January 16, 2009, new *Water Management Regulations* were proclaimed under the *Electrical Power Control Act*. These regulations provide the Public Utilities Board (PUB) with the authority to regulate water management agreements which provide certainty over the coordination of water flow when two or more operators are on the same river. The regulations provide direction to the PUB for the review or establishment of water management agreements.

The usefulness of these regulations was seen a year later when a ruling by the Public Utilities Board (PUB) in early 2010 resulted in the establishment of a water management



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agreement on the Churchill River between Nalcor Energy and the Churchill Falls (Labrador) Corporation. The conclusion of this agreement was another step toward realization of the Lower Churchill Project.

The department has more work to do in the area of regulatory assessment and development in order to pave the way for Lower Churchill power generation and sale to markets outside Newfoundland and Labrador. The province is breaking new ground in the electricity sector and timelines needed to be extended to ensure appropriate care is taken to put the correct measures in place.

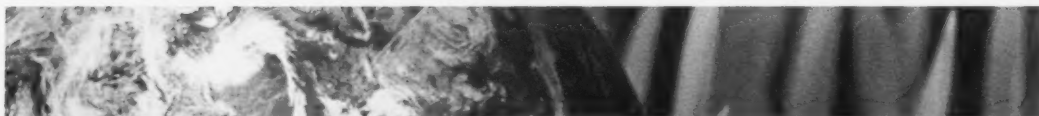
2. Established a new offshore oil royalty regime and new offshore natural gas royalty regulations, which will, among other things, provide greater clarity to potential investors on the structure of regulatory and fiscal regimes

During the planning period, the department made significant progress on the development of offshore natural gas royalty regulations, however, the regulations have not been finalized. During the planning period, the urgency associated with completing these regulations was somewhat reduced as a result of a global trend toward lower prices for natural gas. Because of this, the department re-aligned resources to focus on higher priority items while ensuring progress continued on the regulations. It is anticipated that the regulations will be completed in the short term.

The department remains committed to developing a new offshore oil royalty regime, although this work was not initiated during the planning period. The period 2008 – 2011 was a busy one with new offshore projects and fields being proposed for development and government, through Nalcor, taking its place as partner in these new fields for the first time. These proposed developments followed the tradition of earlier developments with the negotiation of individual royalties agreements. As a result, the department placed significant focus on providing input and expertise during the negotiation for these agreements. Work on the regime will be carried over into the next planning period and is reflected in the department's 2011-14 strategic plan.

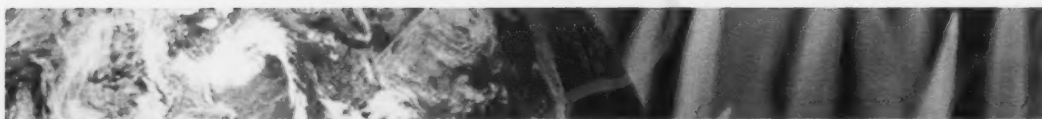
Goal Variance

This goal has been met, in part. Regulatory systems have been improved as evidenced by the new and amended legislation and /or regulations put in place over the planning period. There is little doubt that these improvements have contributed to the competitiveness of the province's mines and energy sectors. Nevertheless, the



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department would have preferred that more regulatory improvements had been put in place during the planning period. As discussed throughout this report on Issue 2, several factors contributed to a slower than planned pace of progress: the complexity associated with working with partners in other jurisdictions in the offshore arena, evolving industry dynamics in the case of natural gas, a re-focusing of resources within the department to support royalty agreement negotiations, and the due diligence required to forge into the new territory of out-of-province electricity marketing and sale.



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Issue 3: Sustainable Economic Benefits

The department plays an important role in ensuring the economic benefits associated with natural resource development accrue to the people and businesses of the province and that those benefits are sustained over the long-term. In carrying out this role, the department negotiates project agreements with industry partners and monitors project activity and performance to ensure compliance with these agreements, as well as legislative and regulatory requirements. The legislative, regulatory and contractual project framework covers a range of issues including production methods to maximize resource yield; royalty calculation and remittance mechanisms; and economic benefits practices in areas such as project employment, expenditures and gender/diversity commitments. Throughout the planning period, the department placed significant priority on its negotiation and monitoring role with notable successes. The department's work in this area was in direct support of government's strategic direction of *sustainable resource development and usage for the long term benefit of residents of the province*.

Annual Objective / Indicators: 2010-11

Objective: By March 31, 2011, the Mines and Energy Branches will have implemented additional initiatives designed to increase the capacity of the province to ensure long-term economic sustainability of the sectors.

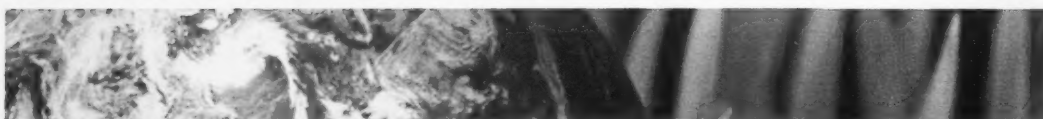
Measure: Implemented additional initiatives

Objective Indicator Progress

1. Acquired and promoted new geoscience data to support exploration activities

New geoscience data was acquired through field projects conducted by the Geological Survey's field programs during Summer 2010. New geoscience data, acquired prior to 2010-11, was made available online through the Geoscience Online application and the department's web site. For more detailed information on this, please refer to Issue 1, Objective Indicator 2.

In addition to providing data online, this data and related materials (e.g., reports, maps, etc.) were promoted at numerous trade shows and conferences in line with the Minerals Promotional Plan. Specific data and information were promoted in meetings with visiting



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delegations and individuals all with the goal of attracting exploration investments and activities.

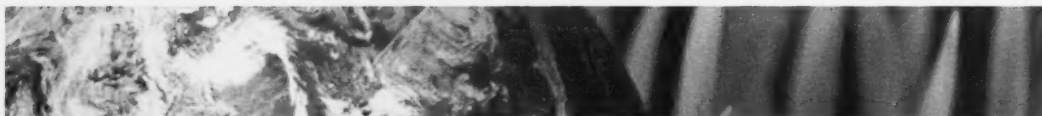
2. Commenced additional initiatives to assess the labour and industrial capacities of the province to maximize participation in large-scale resource development projects

With respect to labour, the department requested updates from project operators on current and anticipated labour requirements. This data was updated, monitored and analyzed throughout the year allowing the department to have current information on labour supply availability, opportunities and challenges. The department ensured this information was available to internal staff as well as other departments, as necessary, to inform decisions on related projects, policies, and programs. Additional analyses were conducted as new project requirements (e.g., Lower Churchill Benefits Strategy) were identified.

With the number of resource development projects planned and underway, the department closely monitored fabrication facility activity during 2010-11. In doing so, the department developed and maintained a fabrication facility and capability inventory. Regular consultations occurred on the current and overall capacities of the province's fabrication sites, and on the impacts of anticipated timing and scheduling of projects.

3. Initiated work on the development of a new Petroleum Royalties Administration Monitoring System (PRAMS) to enhance the department's capacity to effectively monitor the increasingly complex royalty agreements in place with industry partners

The Petroleum Royalties Administration Monitoring System is a tool that will more efficiently manage and automate, to the degree possible, the growing volume of information associated with newer and more complex royalty agreements. Early in 2010-11, the department finalized the scope of the PRAMS project and identified the system's business requirements. In October, the department, through the Office of the Chief Information Officer (OCIO), issued a Project Approach Submission Request to Vendors of Record. In January, an information technology vendor was selected to work on the project and project planning began. By the end of the year, the department, with the vendor and the OCIO, had completed the analysis phase of the project.



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4. Worked with Nalcor on development of the Lower Churchill Benefits Strategy

The department worked closely with Nalcor Energy in the development of this strategy and on July 14, 2010, the Provincial Government released the Lower Churchill Construction Projects Benefits Strategy which will ensure opportunities for the people of Newfoundland and Labrador during the construction phase of the Lower Churchill development. The strategy includes at least 21.5 million person hours of construction employment on two hydroelectric developments at Muskrat Falls and Gull Island, as well as the Labrador-Island Transmission Link, and at least 6.5 million person-hours in engineering and project management and specific gender equity and diversity programs. The Lower Churchill Construction Projects Benefits Strategy is similar to benefits arrangements the Provincial Government has with oil and mining companies as it outlines work to be performed in the province for the benefit of industry and employees.

The Lower Churchill Construction Projects Benefits Strategy clearly outlines the kinds of activities and procedures which will be followed by Nalcor Energy, its contractors and sub-contractors regarding employment and business benefits. The principles and commitments contained in the Lower Churchill Construction Projects Benefits Strategy are reflected in the Request for Proposal for engineering and project services issued on July 9, 2010, by Nalcor Energy-Lower Churchill Project.

"In our provincial Energy Plan, Focusing Our Energy, we committed to maximize the benefits from our major resource developments for the people of Newfoundland and Labrador. Our government is determined to make certain that all the work associated with the Lower Churchill Project that can be performed in Newfoundland and Labrador will indeed be done here. We intend to use the Lower Churchill Construction Projects Benefits Strategy to guide and ensure the successful development of the Lower Churchill Project in the best interest of our province."

Premier Dunderdale (Then Minister of Natural Resources)



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5. Implemented activities related to Phase Two of the assessment of potential market value of the Julienne Lake iron ore deposit in Western Labrador

Phase Two of the assessment of the Julienne Lake deposit was focused on exploration drilling to properly understand the geology, grade and size of the iron ore deposit. This information has allowed a preliminary economic assessment of the project. Phase Two was completed, as planned, with the final cost amounting to \$2.6 million (expanded above the \$2.1 million budget figure to include more drilling). A final report was completed and is being used to inform further actions in this area.

6. Identified barriers to further offshore and onshore oil and gas exploration through participation in the Offshore Continental Margin Working Group and the Western Newfoundland Region Working Group

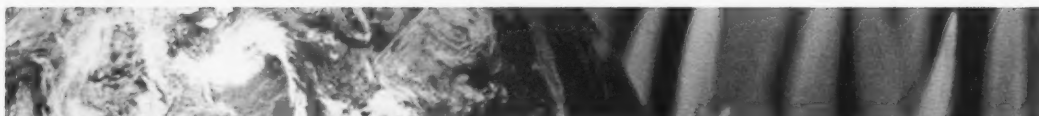
As planned the Offshore Continental Margin and Western Newfoundland Region working groups each identified a number of barriers to offshore and onshore oil and gas exploration. Both groups subsequently established work plans based on the barriers identified.

The work plan of the Offshore Continental Margin Working Group included the following priorities related to exploration attraction enhancement:

- a) Fiscal incentives
- b) Access to infrastructure
- c) Land tenure/licensing system

A sub-committee was formed within the working group dedicated to identifying options for providing fiscal incentives to encourage petroleum companies to increase exploration in Newfoundland and Labrador's offshore region. The sub-committee completed its work in the first half of the year with results presented back to the full working group. The Department of Natural Resources will perform modeling of the fiscal incentive proposals in 2011-12 in order to inform policy considerations. The department will develop an issues paper related to the work plan priorities of infrastructure and land tenure/licensing for tabling and discussion at working group meetings in 2011-12.

The work plan of the Western Newfoundland Region Working Group included the request for regular issuance of exploration permits through the land issuance process, similar to the process used in the offshore. Until recently, the last permits for onshore exploration were issued in 2003. The working group suggested an annual cycle to



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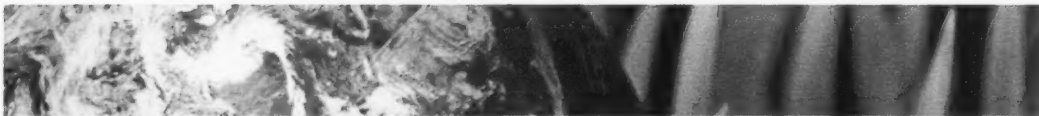
provide a predictable opportunity for interested companies to acquire new permits, including an onshore Call For Nominations leading to a potential Request For Bids. A Call was issued in late 2010 and is being assessed.

Other work to help reduce barriers to exploration was the preparation of an Onshore Petroleum Logistics Manual identifying the available infrastructure and associated limits (i.e., in terms of weight and dimension limits on roads, bridges, wharves, etc.) available in western Newfoundland. As well, at the suggestion of the working group, the department undertook a gas marketing study focused on the ability to monetize a gas discovery in Western Newfoundland. The final report has been received and will be finalized and distributed to working group members in 2011-12.

7. Implemented next phase of the province's Minerals Strategy initiative

The next phase of the Minerals Strategy initiative was implemented during the year as the department conducted public consultations and invited oral and/or written submission from stakeholders and citizens. On February 2, the department publicly released the document, *A Minerals Strategy for Newfoundland and Labrador – A Discussion Paper* which was used to assist the department in the public consultation process. The consultation schedule included stops in Baie Verte, Clarenville, Corner Brook, Gander, Grand Falls-Windsor, Happy Valley-Goose Bay, Labrador City, Long Harbour, Nain, Port Hope Simpson, St. Anthony, Stephenville, Marystown, and St. John's. Approximately 120 people participated in total. Audio recordings were made of public meeting commentary and these were summarized in a document made available online. Thirty written submissions were received and were also posted online. All documents can be found on the Minerals Strategy section of the department's web site (www.nr.gov.nl.ca/nr/mineralstrategy).

The department completed its information gathering exercise in early 2011 with two workshops held in St. John's exploring two specific themes: "Environment & Sustainable Mining" and "A Competitive Environment for Exploration / Mining". During 2011-12, the department will complete work on the Minerals Strategy.



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Three-Year Goal / Indicators: 2008-11

Goal: By March 31, 2011, the Mines and Energy Branches will have supported an increase in the province's capacity to ensure long-term economic sustainability of the mines and energy sectors.

Measure: Supported an increased capacity for long-term economic sustainability

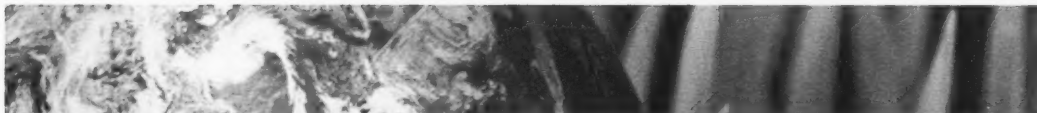
Goal Indicator Progress

1. Supported industry stakeholders to identify and take advantage of opportunities and reap economic and employment benefits associated with the exploration and development of mining and energy resources

The department's efforts in the area of benefits negotiation and monitoring are key in ensuring that local economic and employment benefits are maximized. Over the planning period, operators of major resource projects have been negotiating benefits agreements with the province before receiving approvals for development. Most notable among these were benefits agreements for the Hebron, Hibernia South, and North Amethyst offshore oil projects, the Long Harbour Hydromet project¹¹, two new direct shipping iron ore projects in western Labrador and the Lower Churchill Construction Project Benefits Strategy released in July, 2010. Once benefits agreements are negotiated with project operators, the department begins monitoring project activity to ensure commitments made in the agreements are met. Over the planning period, as part of this monitoring activity, the department worked with operators to identify areas where additional efforts are required in order to achieve employment, expenditure or other targets. An example stems from the 2009 announcement by the operators of the Hebron project that a component related to the pre-drill would not be constructed in the province as previously planned. The department successfully negotiated a substitute for the shortfall with the operators committing to replacement work in the province.

Over the planning period, the department also had more direct involvement with industry stakeholders through various means. As part of its promotional efforts, the department attended a number of strategically selected conferences each year, reserving space at related trade shows in which provincial companies could have a presence to network and seek out potential business opportunities. The department also periodically hosted delegates from other jurisdictions interested in exploring the resource potential,

¹¹ Voisey's Bay Industrial and Employment Benefits Agreement amended in 2009.



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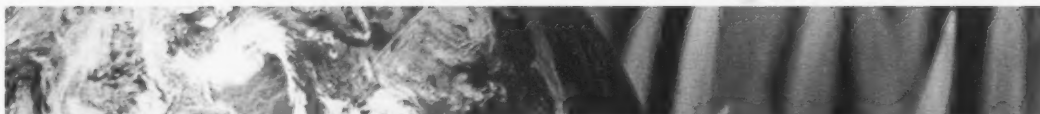
infrastructure and supply/service capabilities of the province.

The department is committed to supporting the expansion of the province's resource industries into new areas of the province and in providing relevant information to local communities and businesses to assist them in preparing for such increased activities, should they occur. In this vein, in January, 2010, the Provincial Government released a report outlining how the community, industry and government can support the development and growth of an oil and gas sector on the west coast. The report, *Infrastructure and Supply and Service Requirements and Opportunities for Oil and Gas Industry: Western Newfoundland*, was the result of a partnership between the Department of Natural Resources and the Greater Corner Brook Board of Trade. It contained nine broad recommendations to assist the region in supporting future potential development in the short to longer term. The report and recommendations will assist in long-term planning and decision-making and will help local companies identify potential opportunities for their role in industry development.

In addition to the department's direct efforts in support of economic benefits for industry stakeholders, all the work the department does to encourage increased exploration and development in the province also supports these stakeholders in realizing benefits from the oil and gas sectors. The more these sectors expand, the more opportunities there are for local companies to provide supplies and services to projects, for citizens to obtain employment, for related technology transfer and for everyone to take advantage of the benefits associated with a healthy economy. As outlined earlier in this report, the department has supported the continued acquisition of new and/or improved geoscience data and has continued to promote the province's resources, and the province itself, to potential investors and developers around the world, all in the interest of expanding these sectors.

2. Supported the long-term planning of large-scale resource projects

Over the planning period, the department has provided valuable knowledge and support for the long-term planning of major resource projects such as Hebron, Hibernia South and the Lower Churchill development. Departmental staff provided significant expertise in the areas of energy supply and demand modeling as well as royalties-stream modeling. In support of current and future large project initiatives, the department also worked with other departments and industry partners to monitor the province's labour supply and to encourage new entrants to the resource industries and related skilled trades.



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3. Monitored and evaluated benefits capture on existing resource development agreements

As outlined above, the department continued to monitor project activities in light of benefits agreement commitments and to work with operators to help ensure benefit commitments were met. Where offshore petroleum projects are concerned, the department coordinated with the C-NLOPB in this monitoring function. Over the planning period, the department consulted with the C-NLOPB on the processes and requirements for development plan submissions (which include benefits plans) and approvals and how the department could best support the Board in carrying out its role.

4. Aggressively pursued the negotiation of new and existing energy resource development projects

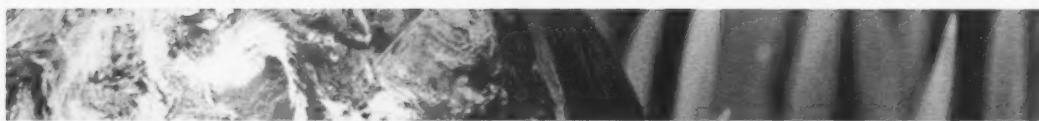
Throughout the 2008-2011 planning period there were a number of significant energy projects announced in the province. For all of these projects, department staff – along with colleagues in other departments and Nalcor – played key roles on the negotiating teams responsible for successful project agreements. In addition, these teams relied heavily on other experts within the department who provided essential financial and policy advice which informed the negotiation process.

The formal agreements negotiated for these projects all reflected the principles the province set out in its 2007 Energy Plan, "Focusing Our Energy". Through equity participation, royalties and local benefits, the teams aggressively negotiated these new projects in a manner that ensures that the people of the province and future generations will receive the best possible overall value from the province's oil and gas resources. A summary of each of the projects is provided below.

North Amethyst

In April 2008, the province announced that it had approved the C-NLOPB's decision to permit the development of the North Amethyst oil field, an expansion of the existing White Rose development. Husky Energy, the operator of White Rose, estimated approximately 70 million barrels of oil will be produced from North Amethyst.

The White Rose Expansion formal agreement provides the province with a five per cent equity stake and super royalties of 6.5 per cent on top of the 30 per cent in the generic royalty regime when oil prices are above US\$50 per barrel.



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Hebron

On August 20, 2008 the Premier and the province's oil industry co-venturers announced and signed the final deal for the development of Hebron, the province's fourth offshore oil project.

Under the agreement, the Provincial Government, through Nalcor Energy, became an equity owner with a 4.9 per cent stake. The province also negotiated major local industrial and employment benefits and a super royalty regime of an additional 6.5 per cent on net revenues whenever monthly average oil prices exceed US\$50 per barrel after net royalty payout occurs.

The negotiated agreement also contains a commitment to implementing a Gender Equity and Diversity Program for all phases of the project. This program will ensure full access to employment opportunities for qualified women and disadvantaged groups by creating proactive programs and practices that will contribute to an inclusive work environment and corporate culture.

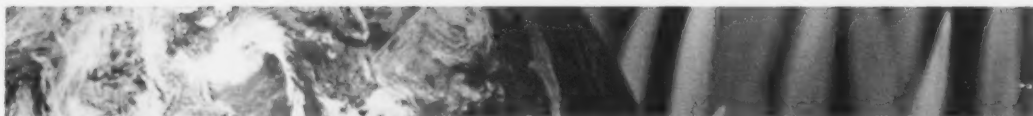


Offshore Supply Vessel

Hibernia Southern Extension

On February 16, 2010, the Provincial Government signed formal agreements with its industry partners to develop the Hibernia Southern Extension. In the agreement, the province, through Nalcor Energy, secured a 10 per cent equity stake in the project and a top royalty rate of 50 per cent. As of the signing date, the Hibernia Southern Extension was estimated to return approximately \$13 billion to the Provincial Government in royalties, return on investment through Nalcor Energy and corporate income tax.

Using a template from the Hebron project, this agreement also includes specific gender and diversity programming designed to ensure full access to employment opportunities

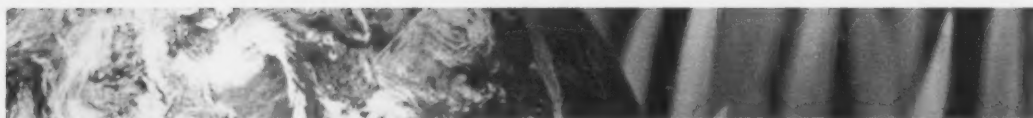


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for qualified women and disadvantaged groups.

Lower Churchill Benefits Strategy

As outlined above, on July 14, 2010 the province released the Lower Churchill Construction Projects Benefits Strategy which will ensure significant benefits to Newfoundlanders and Labradorians during the construction phase of the Lower Churchill project. The strategy includes at least 21.5 million person-hours of construction employment on two hydroelectric developments at Muskrat Falls and Gull Island, as well as the Labrador-Island Transmission Link, and at least 6.5 million person-hours in engineering and project management and specific gender equity and diversity programs.



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Issue 4: Sustainable Resource Development

An important element of the province's approach to natural resource development is sustainability. It is important to increase the availability of renewable energy in the province, and to encourage practices that enable residents of the province to use energy more efficiently. It is important to incorporate principles of environmental sustainability as we explore, develop and process our energy and mineral resources. It is also important to sustain resource-related development activities through research and innovation. Throughout the planning period, the department successfully advanced initiatives in support of resource sector sustainability. These efforts were in direct support of government's strategic directions of *increased natural resource development and diversification, sustainable resource development and usage for the long term benefit of residents of the province and improved stability and competitiveness of the supply of electricity.*

Annual Objective / Indicators: 2010-11

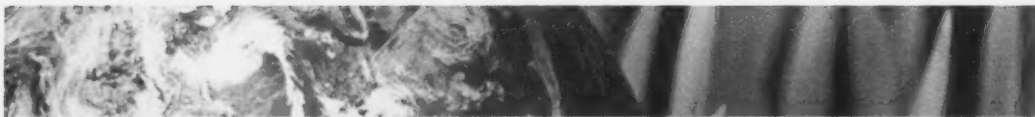
Objective: By March 31, 2011, the Mines and Energy Branches will have implemented initiatives that align with the priority sustainability measures identified through planning activities and continued to identify further opportunities to support sustainable development.

Measure: Implemented initiatives and continued identification of opportunities

Objective Indicator Progress

1. Completed Phase One of the Energy Innovation Roadmap and commenced Phase Two, including action in priority areas

The Energy Innovation Roadmap is an initiative designed to identify opportunities, set priorities and plan for new investments in energy innovation in Newfoundland and Labrador. Phase 1 of the initiative, involving a scan and analysis of the province's energy sector for innovation opportunities, was completed in 2010-11. By mid-year, planned Phase 1 work had been completed by the project consultant. In light of the Cougar helicopter crash in 2009 and the BP oil spill in the Gulf of Mexico in 2010, the consultant was asked to review the results of Phase 1 to determine if there were any additional considerations required from a health, safety and environment perspective in terms of



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deep water drilling and related activities. This review represented an extension to the scope of Phase 1 and, as a result, Phase 1 took longer than anticipated.

Some preliminary work began during the year to prepare for Phase 2; however, work did not advance to the extent planned due to the Phase 1 extension. Phase 2, which will encompass the development of individual roadmaps for strategic areas identified in Phase 1, will commence in earnest in 2011-12 subsequent to the public release of Phase 1 findings. A number of public Requests for Proposals will be issued to complete Phase 2.

2. Completed further mine rehabilitation work at Buchans, Baie Verte and Hope Brook mine sites

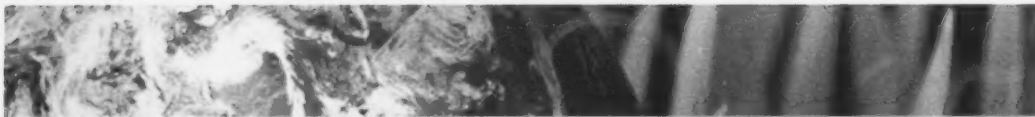
Rehabilitation work was completed at all three former mine sites. At Baie Verte, approximately 1,200 metres of fencing was installed between Highway 410 and the open pit at the mine site. As well, 11 months of air quality sampling for asbestos was completed in the town of Baie Verte and at Highway 410. At Buchans, work already underway to repair dams and cover tailings associated with the former Buchans mine was completed. At Hope Brook, vegetation was removed from the dam structures as recommended in a dam safety review conducted in 2009. In addition, engineering inspections were completed on dams at four other former mine sites.

3. Continued implementation of Residential Energy Efficiency Program

The Residential Energy Efficiency Program (REEP) is a provincial initiative designed to assist low-income households in making energy efficient retrofits to their homes. These retrofits make housing more affordable and reduce greenhouse gas emissions that contribute to climate change. As planned, implementation of REEP was continued during 2010-11. The program was administered and delivered by the Newfoundland and Labrador Housing Corporation with funding provided by the department.

4. Released report on Coastal Labrador Energy Efficiency Pilot Project – a study conducted with two isolated Labrador communities

In 2009, the department allocated \$260,000 to Phase 1 of the Coastal Labrador Energy Efficiency Pilot Project, carried out by Newfoundland and Labrador Hydro. The project involved home energy walkthroughs and basic energy efficiency technologies for



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homeowners. Following the completion of the pilot, Hydro submitted a final report to the department which highlighted successes of the program and included recommendations for a second phase of the pilot in two additional coastal communities. The report was not released, as planned, by March 31 due to ongoing review and analysis necessary to begin the design of Phase 2. The report will be published at a later date.

5. Continued the support of research on alternative energy for isolated communities

Funding was provided to Nalcor to continue the Ramea wind-diesel-hydrogen project, which has been physically completed and has entered its data collection stage. Phase 2 of the investigation of alternative energy sources for the Labrador coast (small hydro and wind) will be implemented in 2011-12.

6. Participated in an international conference on wind energy to explore further opportunities for wind development in the province

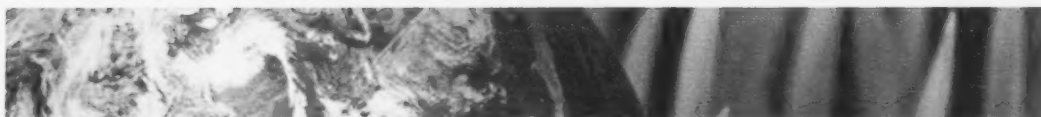
The international conference was held in St. John's on July 6 – 7, 2010. The department participated in the conference and on the organizing committee along with Memorial University and the Research Development Corporation. There were approximately 130 people in attendance.

Overall, the event was considered a success with a unique theme that addressed very specific issues related to development of wind energy in harsh environments and the associated challenges and opportunities. The conference structure reflected the scope of the wind energy development projects covering topics such as regulatory, meteorological, design, operational, system integration, and environmental issues.

Three-Year Goal / Indicators: 2008-11

Goal: By March 31, 2011, the Mines and Energy Branches will have made significant advances in support of the sustainable development of natural resources in the province.

Measure: Made significant advances in support of the sustainable development of natural resources in the province



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Goal Indicator Progress

1. Supported increased renewable share of energy supply

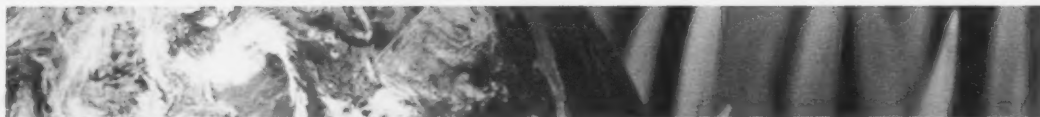
Throughout the period, the department supported research into alternative energy sources for isolated Labrador communities. The focus of this research was on identifying more renewable sources of energy for these communities to reduce reliance on diesel-fired generation. The department's most significant efforts toward an increased supply of renewable energy has been through work with Nalcor Energy on the advancement of the Lower Churchill Project. It is worthy of note that, during the planning period, the renewable share of the province's current energy supply was increased due to government's expropriation of Abitibi Consolidated assets which included water rights and power generating properties.

2. Implemented and promoted energy efficiency and energy conservation initiatives

The department continued to deliver and support initiatives related to energy efficiency and conservation over the planning period. The department promoted and administered the EnerGuide for Houses Program and provided funding for REEP, administered by Newfoundland and Labrador Housing. The department provided funding to Newfoundland and Labrador Hydro to conduct the Coastal Labrador Energy Efficiency Pilot Project.

In 2010, the department launched the Build Better Buildings Policy whereby buildings that are built or funded by the provincial government must meet energy efficient standards relating to the Model National Energy Code of Canada and the Leadership in Energy and Environmental Design Program. All buildings that fall under this policy will be built to energy and environmentally efficient standards that will improve the indoor environment for the benefit of occupants, reduce harmful emissions, conserve valuable energy resources, reduce operating and maintenance costs over the life-cycle of the building and emphasize environmentally-friendly building practices. The Department of Natural Resources will be the administrator of this policy that will be followed by a number of public sector entities including the Department of Transportation and Works as well as the Department of Municipal Affairs.

Also in 2010, the department, in partnership with the Department of Education launched a new program to increase awareness and positive attitudes towards conserving and



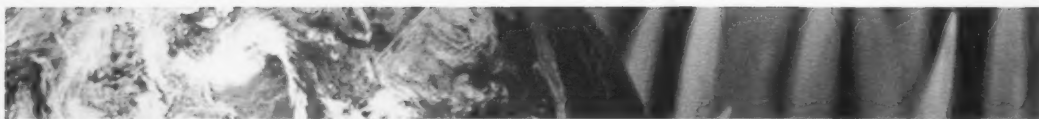
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using energy more efficiently among youth. "Save It Forward" targets students from kindergarten to Grade 12 and encourages them to develop their own ideas for more efficient energy use. This program delivers on a commitment in the 2007 Energy Plan to invest in the development of innovative educational programs that engage young people in energy conservation and climate change.

3. Increased number of mine development sites being remediated

In terms of natural resources, "sustainable" development refers to continued development for the long term maintenance and/or growth of healthy industries. It also means development that is conducted in an environmentally responsible manner. Current legislation requires the province's mineral and petroleum exploration and development companies to leave resource development sites in good environmental condition once exploration and/or development activities have ceased. This has not always been the case and, in the past, some mining sites were abandoned by operators and left in unacceptable condition. The department is committed to performing rehabilitation work at such former mine sites.

During the planning period, the department conducted rehabilitation work at multiple orphaned and abandoned mine sites increasing the number of sites remediated. Since April 1, 2008, rehabilitation studies and activities have been carried out at the former mine sites of Buchans, Whalesback, Baie Verte, Hope Brook, Rambler and Colliers Point, among others. The department maintains its commitment to this work and has continued mine site rehabilitation as a priority in its 2011-14 strategic plan.



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Outcome of Mission

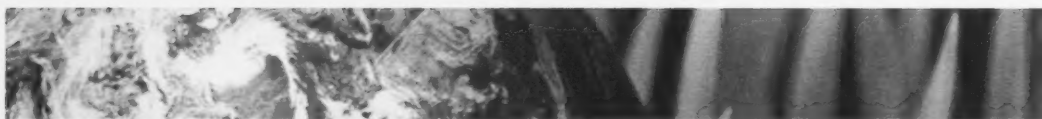
Under the Government of Newfoundland and Labrador planning model, an organization's mission represents its main focus over the medium term which is typically made up of two planning cycles¹². The theme of the mission underlies everything the organization works toward over the mission period. The department's mission during this planning period was as follows:

By March 31, 2011, the Mines and Energy Branches will have enhanced departmental programs and services to optimize the benefits received from mines and energy resource developments and promoted the sustainability of these sectors.

The province's mineral and energy resources are valuable assets and the department's mission reflects its intention to ensure these resources continue to be developed in a responsible way for the maximum benefit of Newfoundlander and Labradorians now and into the future. This mission clearly supports the strategic directions of government for increased natural resource development and diversification and sustainable resource development and usage for the long term benefit of residents of the province.

This section of the Annual Performance Report details the work undertaken and completed by the department over the last five years towards the achievement of its mission. So as not to be overly repetitive, this section of the report will, at times, refer the reader to results already reported under the Outcomes of Goals and Objectives section.

¹² A planning cycle covers a three year period and an organization's mission will normally span two of these periods. At the end of the previous planning cycle in 2007-08, the department re-assessed its priorities and revised its mission going into the 2008-11 planning cycle. The outcome of the previous mission was addressed in the 2007-08 annual performance report.



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Mission / Indicators

Mission: By March 31, 2011, the Mines and Energy Branches will have enhanced departmental programs and services to optimize the benefits received from mines and energy resource developments and promoted the sustainability of these sectors.

Measure 1: Enhanced departmental programs and services to optimize benefits

Mission Indicator Progress

1. Increased geoscience data on the onshore and offshore areas to identify resource development opportunities

Over the past five years, the department has fulfilled its commitment to increase the amount of geoscience data available for both the onshore and offshore areas of the province. In each year the department's Geological Survey staff conducted field programs around the province to conduct geological mapping and collect new data in areas of known or suspected mineral occurrences. At the same time, analysis was completed on data from earlier programs and made available to prospectors and exploration companies. Through the PEEP initiative, new data were collected on the geology of western Newfoundland, benefiting both the mines and energy sectors. Similarly, in the offshore, the OGDG initiative resulted in new information on the geology of a number of offshore regions.

2. Improved access and promotion of geoscience data to potential investors

The department provides access to geoscience data, in part, through Geoscience Online, a web-based system considered one of the best of its kind in the country. Over the mission period the department continually made new data available to the public through this application. In addition, progressive updates and improvements were made to the application itself to make it a more valuable tool for users.

During the period, pre-existing and new geoscience data was promoted around the world at industry-leading conferences. Special emphasis was placed on key data sets for previously unexplored areas or areas of particular promise. For example, upon completion of an aeromagnetic survey of western Newfoundland in 2009, the resulting data was compiled onto CDs and provided to potential investors at national and



Mines and Energy Branches

international venues.

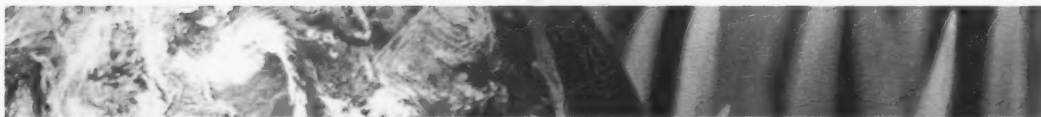
3. Increased collaboration with industry, industry associations, other provincial departments and other governments to enhance policy and regulatory initiatives

With increasing activity in the mineral and petroleum sectors over the mission period, the department has continually increased collaboration with industry, other departments, and other stakeholders on matters such as investment attraction, project approvals and monitoring and related policy and regulations. This collaboration has resulted in policy and regulatory enhancements that will benefit industry and the province over the long term.

During the period, new goal-based offshore drilling and production regulations were promulgated and significant progress was made on related offshore and onshore regulations. The department's work with industry in the area of benefits negotiations laid important ground work for progressive policies on gender and diversity objectives through major resource projects. With the launching of the Minerals Strategy initiative, the department began the process of working with its various stakeholders to identify policy, regulatory and /or legislative changes that may need to be addressed to keep the province's mineral industry strong and moving forward. This initiative will continue into the next planning cycle and is reflected in the 2011-14 strategic plan.

4. Decreased processing time for permits, licenses, leases and project approvals to improve efficiency and effectiveness of the resource development process

The department is conscious of the pressing time and financial demands on exploration and development companies as they work to advance their resource projects. Moving such projects forward requires careful consideration by regulators to ensure they meet with environmental and occupational health and safety requirements, and also to ensure that projects are designed to provide maximum benefit to the people of Newfoundland and Labrador. It is in everyone's best interest, however, to work through the review and assessment process as quickly as possible and issue the required permits, leases and approvals necessary to advance exploration and development activities. Due to the complexity and variability of these processes, as well as the number of other stakeholders involved, the department is unable to report definitive reductions in processing times overall. Having said this, the department did made significant process in a number of key areas toward this end.



Mines and Energy Branches

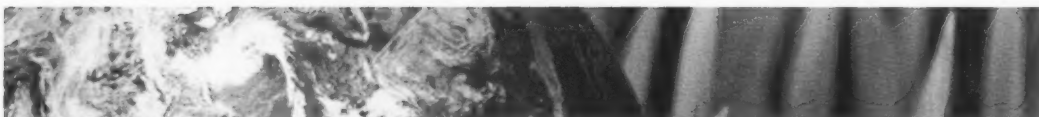
Improvements to the Petroleum Exploration Referral System

The Petroleum Exploration Referral System (PERS) was first developed in 2003 to help onshore operators identify the approvals, authorizations, permits, fees, etc. required to proceed with proposed petroleum exploration activity. The system notifies specific staff members in other government departments who are located in western Newfoundland and are responsible for enforcement of various regulations which may impact on petroleum exploration operations.

Although PERS improved the process used for petroleum exploration applications, a License to Occupy (LTO) was still required by Crown Lands which necessitated another, separate referral. In 2010, departmental staff consulted with Crown Lands and agreed to add the PERS document as supplemental information to Crown Lands applications, thus removing the second referral. In addition, these consultations resulted in petroleum activity of less than 90 days no longer requiring an LTO. Instead of a Crown Lands referral, such activity is now routed through the ILUC process with a 15 day referral request. This is a great improvement since the original ILUC referral could take up to two months.

Development of MEAMS

At the end of the mission period, the department was nearing completion of Mineral Exploration and Approvals Management System. As outlined earlier in the report, MEAMS will streamline the process mineral exploration companies must follow in order to apply and receive approval to explore for minerals in a desired area of the province. In recent consultations held under the Minerals Strategy industry stakeholders advised that this was one of the areas that government could focus on to make the exploration process smoother. They reported that they were frustrated by having to submit multiple applications to multiple departments in order to receive approval to explore. MEAMS will enable companies to submit one online application and, based on the parameters of the proposed exploration project, will automatically submit applications to other departments whose approval is also required. For example, depending on the area proposed for exploration, approvals may need to be granted in terms of land use, water use, access to forest roads, etc. MEAMS was not fully implemented, as intended, during the mission period due to delays in the technical system development process.



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5. Established new offshore oil royalty regime and offshore natural gas royalty regulations

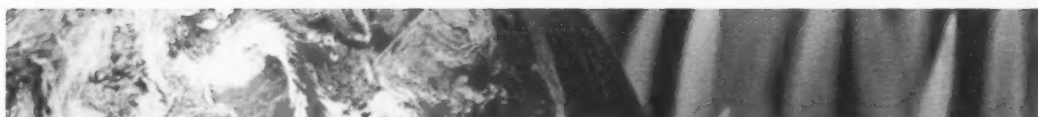
During the mission period, the department began and made significant progress on the development of natural gas royalty regulations. As discussed under Goal 2, the regulations were not completed as a result of a global trend toward lower prices for natural gas and a subsequent re-alignment of priorities for departmental staff. Similarly, the offshore oil royalty regime was not initiated as the department placed significant focus on providing input and expertise during the negotiation of new project agreements. The department remains committed to the completion of the regulations and development of the regime and both initiatives have been carried over into the department's 2011-14 Strategic Plan. For more information, refer to Indicator 2 under Goal 2.

6. Increased efficiency of regulatory systems

With the introduction of new goal-based offshore drilling and production regulations and an enhanced referral process for onshore petroleum exploration (discussed in more detail in indicators 3 and 4 above), the department increased the efficiency of regulatory systems over the mission period. In addition, the department participated in government's Red Tape Reduction initiative which began in 2006. "Red tape" can include legislation, regulations, fees, permits, approvals, licenses, guidelines, filing and certification requirements, reporting, etc. While all of these elements are necessary and are found in every jurisdiction they can be considered red tape when found to be unnecessary and burdensome. During the three-year initiative, the Mines and Energy Branches were successful in reducing red tape through various means such as streamlining legislation and regulations and revising guidelines and forms.

7. Progressed toward full implementation of a comprehensive Energy Plan

The Energy Plan, *Focusing our Energy*, released in 2007, contained over 100 key actions to build the foundation upon which the province can seize resource opportunities and take a greater role in their development. One of the most significant achievements since the release of the plan was the proclamation of the *Energy Corporation Act* in October 2007 which established a provincial energy corporation, now known as Nalcor Energy. The establishment of an energy corporation was a vital step in the achievement of many Energy Plan commitments as Nalcor was positioned to play a central role in the plan and the province's energy future overall.



Mines and Energy Branches

Since 2007, the department has worked with Nalcor Energy and other partners to move forward on most of the Energy Plan actions. The small number of actions that were not initiated during the mission period were dependent on the finalization of the deal to develop the Lower Churchill Project which was delayed.

The following are a number of key achievements under the Energy Plan, the majority of which have been led by Nalcor with significant support and funding provided by the department.

Oil and Gas

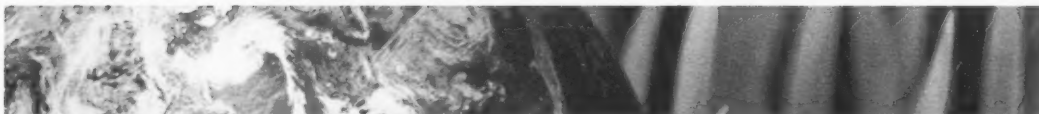
- Nalcor Energy acquired equity interests in the Hebron development (4.9%), White Rose Expansion (5%), Hibernia South Expansion (10%) and Parsons Pond (67%).

Electricity

- In November 2010, the province announced a partnership between Nalcor Energy and Emera Inc. to develop the Lower Churchill Project.
- The Labrador-Island Transmission Link was registered for environmental assessment (EA) in January 2009.
- In April 2009, Nalcor Energy signed a Transmission Service Agreement with Hydro-Quebec (HQ) under HQ's Open Access Transmission Tariff for power transmission from Labrador (Upper Churchill recall block) to the Canada-U.S. border.
- Newfoundland and Labrador Hydro had power purchase agreements for 54 megawatts of clean, renewable wind energy at the St. Lawrence and Fermeuse wind farms.

Economy

- In 2008, the Department of Natural Resources began work on the Energy Innovation Roadmap.
- Gender Equity and Diversity Programs (including Women's Employment Plans and Business Access Strategies) were included in the Benefits Agreements for Hebron and Hibernia South. A Women's Employment Plan will be required of all new mid to large-scale resource development projects.



Mines and Energy Branches

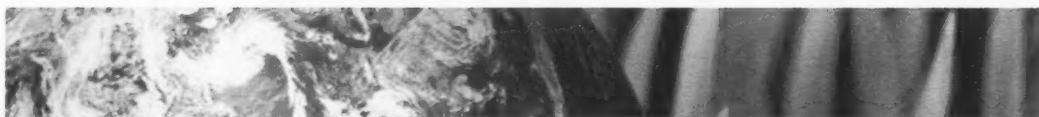
8. Enhanced collaboration with the Energy Corporation to ensure it is positioned to fully participate in resource development

As evidenced in Indicator 7 above, throughout the mission period the department worked closely with Nalcor Energy and other partners toward the realization of the vision and commitments set out in the Energy Plan. With the achievements during this period, Nalcor Energy is well positioned to take advantage of resource development opportunities in the areas of onshore or offshore petroleum and hydro-electricity, as well as wind and other alternative energies. Still a very new organization, Nalcor Energy has already had much success in resource development projects acquiring equity stakes in offshore and onshore oil projects as well as the recent signing of the Lower Churchill deal. The department will continue to work closely with Nalcor Energy in the coming years with particular focus on assessing and developing the province's regulatory environment for the transmission and sale of provincial electricity into North American markets.

9. Supported industry stakeholders to identify and take advantage of opportunities and reap economic and employment benefits associated with the exploration and development of mining and energy resources

As evidenced throughout this report, the department has worked continually with industry stakeholders to help them take advantage of opportunities in the resource sectors. Goal Indicator 1 under Goal 3 provides information on achievements during the 2008-11 period.

There was significant progress in this area early in the mission period as well. For example, in 2007-08, the department, in cooperation with the Department of Business, established a new Oil and Gas Manufacturing and Services Export Development Fund (OGEDF). The OGEDF was designed to improve the range of service and supply opportunities for local businesses. The department also established the Marketing and Promotion Division within the Energy Branch which has been instrumental in carrying out the promotional activities discussed throughout the report. This division, along with promotional staff in the Mines Branch, has been responsible for coordinating a provincial presence at importance national and international conferences. These events not only provide a useful means to promote the province's resource potential but also provide a mechanism for local companies to have a presence at such events.



Mines and Energy Branches

10. Supported the long-term planning of large-scale resource projects

Over the course of the mission period, the department has supported the planning of several large-scale resource projects, including the construction of Vale's nickel processing facility at Long Harbour, the Hebron project for which project engineering has begun, and the Lower Churchill, which reached a major milestone in late 2010 with the announcement that Muskrat Falls would be developed in partnership with Emera Inc. of Nova Scotia. The department, along with partners in industry and government, closely monitored labour and industrial capacity in the province to help ensure project needs were met. The department also collaborated with project operators in the negotiation of benefits agreements to ensure project planning included measures that maximized employment opportunities for the people of the province and business opportunities for local companies. Please refer to Goal 3, Goal Indicator 2 for more information.

Measure 2: Enhanced departmental programs and services to promote the sustainability of these sectors

Mission Indicator Progress

11. Implemented or supported initiatives to increase the renewable share of energy supply consistent with the principles of the Energy Innovation Roadmap

Throughout the period, the department supported research into alternative energy sources for isolated Labrador communities and, most significantly, worked with Nalcor Energy on the advancement of the Lower Churchill Project. These efforts are consistent with the principles of the Energy Innovation Roadmap project which is focused on energy innovation as a means of improving the way energy is produced, transported and utilized. As noted under Goal 4, the renewable share of the province's energy supply was increased considerably during the mission period due to government's expropriation of Abitibi Consolidated assets which included water rights and power generating properties.



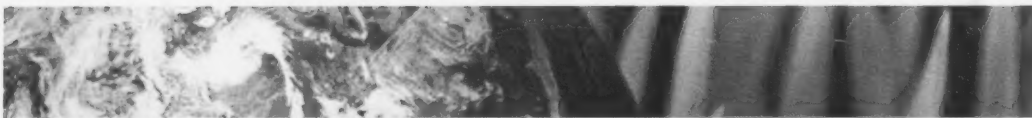
Mines and Energy Branches

12. Implemented and promoted energy efficiency and energy conservation initiatives

The department initiated work in this area during the 2008-11 period. In line with government's Energy Plan commitments, the department implemented programs and undertook policy development geared toward increasing energy efficiency and conservation awareness and practices in the province. Please refer to Goal 4, Indicator 2 for more information.

13. Increased number of mining development sites remediated

Over the mission period, the department continued to fund and coordinate rehabilitation activities at an increasing number of orphaned and abandoned mines around the province. In 2007-08, the department initiated a sizeable project, covering several years, directed at the initial rehabilitation of the former Baie Verte asbestos and Rambler copper mines. For more information on the department's rehabilitation efforts during the 2008-11 period, refer to Goal 4, Indicator 3.



Mines and Energy Branches

Strategic Directions

There has been significant progress during the past year, and over the planning and mission periods overall, toward the achievement of the department's strategic directions as communicated in its 2008-11 Strategic Plan. While specific accomplishments are outlined in detail in the previous sections of this report, this section summarizes the alignment of these accomplishments with each of the strategic directions. For ease of reference, this section makes specific note of achievements reported under the four goal areas. It should be noted, however, that mission indicators followed the same themes as goals and the accomplishments reported on mission indicators illustrate the department's progress towards strategic directions over a broader, five year period.

Increased Natural Resource Development and Diversification

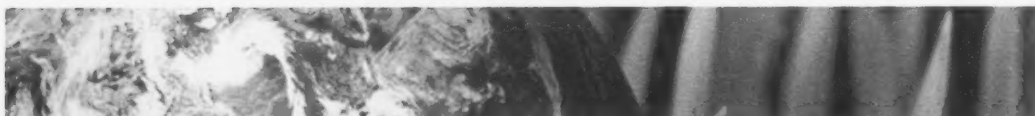
As discussed throughout this report a critical precursor to natural resource development is the identification and promotion of resource potential. As indicated in Goal 1, there has been significant investment by the department in the continued acquisition and promotion of geoscience data.

The effective and efficient management of our resource development projects require fiscal and regulatory regimes that both encourage development and maximize benefits. Goals 2 and 3 provide an overview of key activities that have been underway to update our regulatory regimes, encourage exploration and development activity, and strategically negotiate and monitor benefits to the province.

Goals 3 and 4 provide an overview of recent work on the development of the Lower Churchill Project and other work that is underway to assess alternative energy options for the province.

Sustainable Resource Development and Usage for the Long Term Benefit of Residents of the Province

The department will work toward the long-term sustainability of the province's resources through ongoing development activity that is balanced with protection of the environment. Information on efforts to attract continued exploration and development in the province is provided in Goals 1 and 3. Activities related to alternative energy, the remediation of development sites and other sustainable practices and policies are

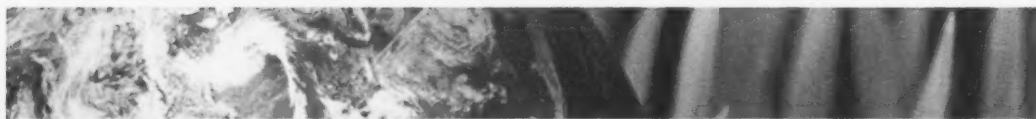


Mines and Energy Branches

identified in Goal 4.

Improved Stability and Competitiveness of the Supply of Electricity

Our province has tremendous clean renewable electricity generation assets and significant undeveloped potential. Through our existing and planned hydroelectric projects we have the capacity to meet all future domestic electricity needs and be a significant exporter of clean renewable energy to jurisdictions outside of the province. The development of the Lower Churchill Project will result in a significant investment in renewable energy infrastructure. Information on the Lower Churchill Benefits Strategy is provided in Goal 3. Additional work on advancements regarding the electricity sector, energy efficiency and conservation and other alternative energy can be found in Goals 2 and 4.



Mines and Energy Branches

Additional Highlights and Accomplishments

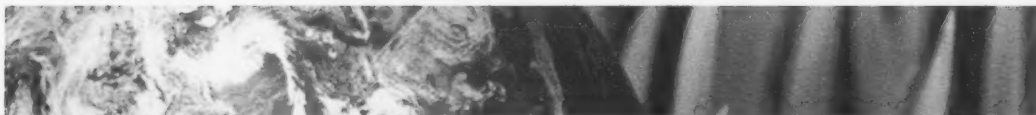
1. Largest Delegation in Province's History Attends International Offshore Exhibition and Conference

In May 2010, the province of Newfoundland and Labrador was represented by its largest delegation to date at the Offshore Technology Conference (OTC) in Houston, Texas. The province boasted an attendance of 73 of the province's petroleum companies and organizations including 148 delegates and Premier Dunderdale, then Minister of Natural Resources. The province has participated in OTC for three decades and this spike in attendees was indicative of growth in the energy sector in Newfoundland and Labrador.

The OTC featured booths from over 2,400 companies and organizations. Safety, risk assessment and emergency preparedness were major topics of discussion among delegates. OTC is one of the largest oil and gas shows in the world. Approximately 75,000 people were in attendance, representing more than 115 countries. Each year, the Department of Natural Resources hosts a booth at the conference from which to promote the province as an exploration and development destination and provides a venue for local companies to network with international industry representative.

2. Call for Bids Indicated a Continuing Interest in Province's Offshore Oil and Gas

The C-NLOPB's two Calls for Bids in the Flemish Pass-Central Ridge region during 2010 demonstrated the oil and gas industry's continued interest in Newfoundland and Labrador's prospective offshore basins. In 2009, Statoil discovered a hydrocarbon accumulation while drilling its deepwater exploration well, the Mizzen O-16, in the Flemish Pass Basin. This discovery has created extensive additional interest in this basin. This Call for Bids, managed by the C-NLOPB and promoted by the department, consisted of two parcels of land comprising 327,372 hectares with the minimum bid for each parcel being one million dollars.



Mines and Energy Branches

3. Memorial University Students Given Real Life Opportunities to Work in the Field

Each summer, a field program is created to increase knowledge of Newfoundland and Labrador's mineral potential. In summer 2010, 27 Memorial University Earth Sciences and Geography degree program students were hired by the Department of Natural Resources to participate in a variety of field and office-based geoscience projects. The students received hands-on experience in their field and opportunities to train closely with department staff. The students assisted with the department's geological mapping program, helping identify prospective areas in Newfoundland and Labrador that contain significant mineralization.

4. Growing Industry Interest in Western Newfoundland Oil and Gas Leads to Call for Postings

In October of 2010, the Government of Newfoundland and Labrador, through the Department of Natural Resources, announced a Call for Postings to identify prospective parcels of land in onshore western regions of the province for possible future oil and gas exploration. This Call for Postings allowed interested companies to nominate lands they believed had high petroleum prospects.

During the Call for Postings, approximately seven million acres (28,000 square kilometers) of land was opened for nomination. The areas included Bay St. George, Anticosti and Deer Lake Basins as well as previously unexplored regions such as the Howley Basin and the onshore part of the St. Anthony Basin. This indicates yet again, the strength of the province's oil and gas industry and the endless opportunities for development and growth in the province.

The Call for Postings is the first stage in the oil and gas licensing process. Once the Provincial Government has had the opportunity to assess all the nominations, the Minister of Natural Resources may then decide to issue a formal Request for Bids. In response to a Request for Bids, companies compete to obtain permits which grant them the legal authority to explore for petroleum resources.



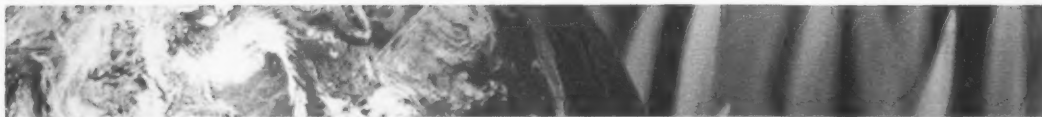
Mines and Energy Branches

Shared Commitments

The Department of Natural Resources has legislative oversight for the following public bodies related to the mines and energy sectors: Nalcor Energy and its subsidiaries including Hydro, Nalcor Energy – Oil and Gas, Churchill Falls (Labrador) Corporation, Twin Falls Power Corporation, Lower Churchill Development Corporation, Gull Island Power Corporation and Bull Arm Fabrication Site; and the Mineral Rights Adjudication Board.

The department also shares jurisdiction over offshore petroleum resources with the Federal Government and participates in its management through the C-NLOPB.

The department works closely with each of these public bodies toward fulfillment of the strategic directions of the Minister of Natural Resources.



Mines and Energy Branches

Opportunities and Challenges

Opportunities

One of the most significant opportunities for the department and perhaps even the province as a whole over the coming years is our abundance of natural resources. Our substantial inventory of energy sources will allow the province to meet our own energy needs and provide considerable amounts of energy for export to other jurisdictions. The minerals sector provides opportunities to develop the economy of rural areas of the province. Our mineral resources will continue to be a source of wealth, employment and raw materials. As we move into our next strategic plan, effort will be directed toward encouraging continued resource development while maximizing benefits to the province.

Development of the Lower Churchill Project will benefit the province through employment, infrastructure and the revenue that will result from energy export. An additional benefit from the project will be the development of clean, renewable energy that will provide the opportunity to reduce air pollution in our province, and through energy export activity, other jurisdictions.

New resource development projects in the province will enhance employment and career development opportunities for residents of the province. Many projects span multiple years and even decades, thus, the prospects for employment, education, training, and business growth are significant. Career opportunities abound, and success will, in part, depend on our ability to increase participation of underrepresented groups in these projects. Through continued emphasis on employment and business access benefits, particularly for women and other underrepresented groups, the department will maximize opportunities to broaden the number of groups within the province benefiting from resource development.

The development of a new provincial Minerals Strategy will provide the province with an opportunity to review provincial mineral policy and legislation that was last reviewed in the 1970s. In the period since the last review, the minerals industry has changed significantly and new challenges and opportunities have emerged. The review process will allow the department to collect important information on the industry which will then be considered in the development of the strategy.



Mines and Energy Branches

Challenges

The ability of the province to compete for exploration investment depends on a number of factors including geological prospectivity, access to lands available for development, availability of quality geoscience data, infrastructure access, capital costs, and competitive fiscal regimes. Each of these factors can include a number of challenges which are sometimes complicated by the harsh environment of our offshore region and the fact that new mineral deposits will likely require exploration deeper below ground and in more remote areas of the province. However, the department recognizes that continued exploration is vital to the sustainable development of our natural resources and thus, will continue to seek out and act on opportunities to enhance our ability to complete.

Our natural resource industries are highly dependent on global trends of supply and demand. Commodity prices are continuously fluctuating and can experience major changes in a relatively short period of time. Predicting global demand, and the corresponding interest in resource development, is difficult and makes long-term planning and investment challenging. The province will continue to work to ensure that the provincial environment both supports and encourages resource exploration and development. Thus, when commodity prices are favorable, we will be ready to take advantage of increased opportunities for investment.

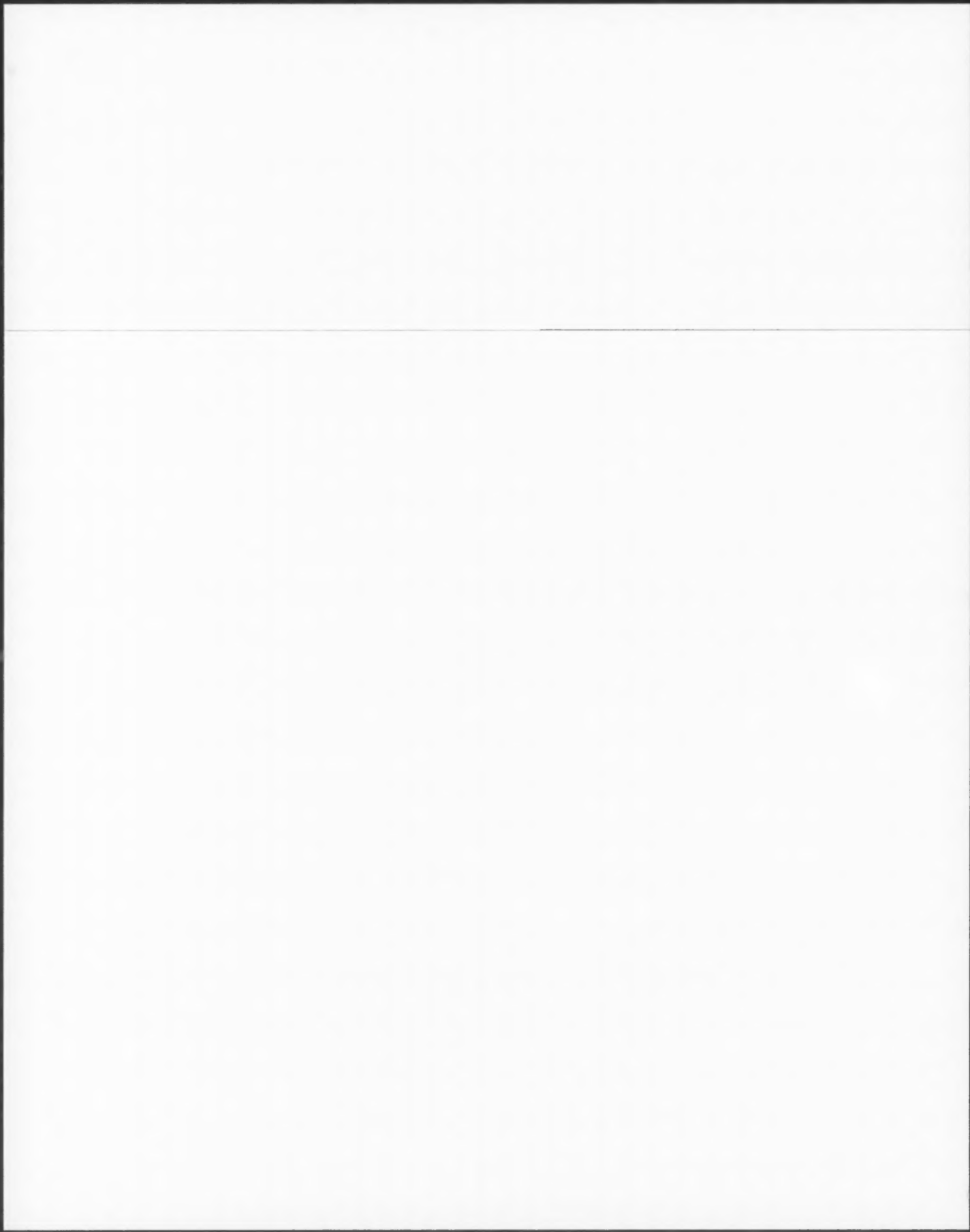
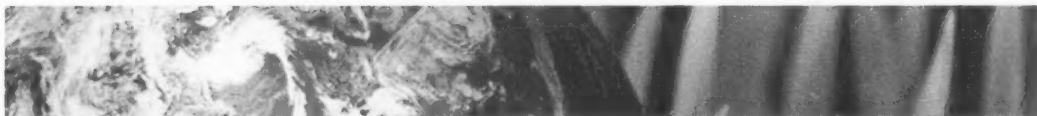




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Forestry and Agrifoods Agency

Introduction

The Forestry and Agrifoods Agency's (the agency) primary focus during this fiscal year and throughout this three year strategic planning cycle was to provide programs and services to support our forestry, agriculture and agrifoods industries' economic development and sustainable resource management.

To fulfill the mandate of the agency, \$84.9 million was spent in the 2010-11 fiscal year. Total expenditures over the three year life of the strategic plan was \$209.4 million. The expenditures to date by the Provincial Government confirms its commitment to the renewable natural resources of the province and it illustrates the importance of maintaining and growing sustainable forestry, agriculture and agrifoods industries.

Through the development and implementation of programs such as the provincial Agrifoods Assistance Program, the Agriculture and Agrifoods Development Fund and the Cranberry Industry Development Program, the Forestry and Agrifoods Agency has supported further economic development within the industry. In response to the discovery of Aleutian disease in the province and the threat it posed to the further development of the mink industry, the Forestry and Agrifoods Agency developed and implemented the Aleutian Disease Management Program. Through the 60 - 40 per cent cost shared Canada – Newfoundland and Labrador Growing Forward Program significant investment has been and will continue to be provided to advance agriculture opportunities. These and other programs and services outlined in the annual report have helped the agriculture and agrifoods industry move forward in key strategic areas.

The forestry industry has benefited from significant advances in forest science and research. In 2010 the province entered into a Memorandum of Understanding (MOU) with the Canadian Forest Service (CFS) and Grenfell Campus (GC) – Memorial University to enhance the capacity and effectiveness of forest research in Newfoundland and Labrador. During this strategic period, a new division was created within the Forestry and Agrifoods Agency called the Centre for Forest Science and Innovation. Through the three years of the agency's strategic plan the Forestry and Agrifoods Agency has made significant investments in the diversification and competitiveness of the Forest industry. Through the Forest Industry Diversification Fund the agency has helped the forest industry identify value-added opportunities and provided product marketing resources to help diversify the industry. The agency has also made significant resources available for forest industry stakeholders to evaluate their current operations and retool for new opportunities.



Forestry and Agrifoods Agency

The Provincial Government, through the Forestry and Agrifoods Agency's efforts, has shown that its commitment remains unwavered to the primary renewable resources of the province. The forestry, agriculture and agrifoods industries are vital components of the economy throughout the province.

Overview of the Agency

The Forestry and Agrifoods Agency was established under the *Executive Council Act*. It is a category one public body under the *Transparency and Accountability Act*.

The legislation administered by the agency is provided in Appendix I.

Vision

The vision of the Department of Natural Resources is a province that realizes the full benefit from the sustainable development of its natural resources.

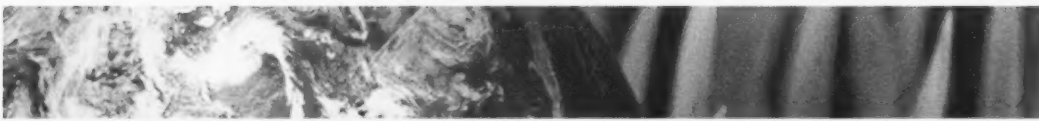
Mission Statement

By March 31, 2011, the Forestry and Agrifoods Agency will have implemented programs necessary to sustain the province's forest ecosystems, identified and facilitated further opportunities for sustainable forestry, agriculture and agrifoods resource development and optimized the benefits received from these resources.

Mandate

The mandate of the Forestry and Agrifoods Agency includes the supervision, control and direction of all matters relating to:

- forest resources and utilization, constructing and maintaining forest access roads, forest protection from fire and insects, silviculture, inventory, conservation, and management;
- preparation of management plans, surveying, mapping and development of forest resources;



Forestry and Agrifoods Agency

- enforcement and compliance responsibility in the areas of forestry and wildlife and assisting in enforcement in the areas of inland fisheries, motorized snow vehicle and all-terrain vehicle usage;
- agriculture including (without limitation of the word "agriculture,"), agrifoods, agronomy, horticulture, animal husbandry, aviculture, the development of forage production and the growing of hay and the products of agriculture, including (without limitation of the word "products,"), animals, meats, fur, eggs, poultry, wool, dairy products, berries, grains, seeds, fruit (including wild fruit), fruit products, vegetables and vegetable products;
- animal health;
- food technology and marketing; and
- agricultural land and the sustainable utilization, protection, conservation, management, surveying, mapping and development of agricultural land.

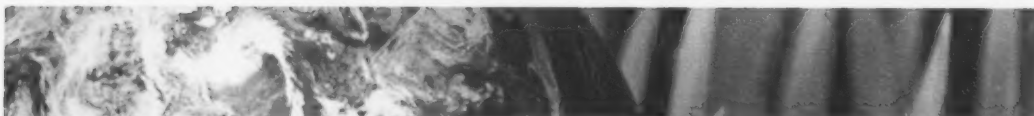
The agency's responsibilities for supporting natural resource development in the forestry, agriculture and agrifoods sectors are provided through two branches. The Policy and Planning Division provides policy support and coordination for both branches within the agency.

Forestry Services Branch

The **Forestry Services Branch** is responsible for managing and regulating the forest resources of the province. Programs and services are provided through the following divisions within the branch: Forest Ecosystem Management, Forest Engineering and Industry Services, Legislation and Compliance and the Centre for Forest Science and Innovation. District offices operate within three regions – Eastern, Western and Labrador.

Agrifoods Development Branch

The **Agrifoods Development Branch** is responsible for promoting the continued development, expansion and diversification of competitive and sustainable primary and value-added agriculture and agrifoods businesses. Programs and services are provided through the following divisions within the branch: Agriculture Business Development, Animal Health, Land Resource Stewardship and Production and Market Development.



Forestry and Agrifoods Agency

Employees

As of March 31, 2011, the Department of Natural Resources' Forestry and Agrifoods Agency had 392 staff on payroll. Employees with the agency work in offices located in St. John's, Corner Brook and in district offices and units located throughout the province. The table below provides the breakdown of staff in each branch.

Branch	Female	Male	Total
Forestry Services	68	221	289
Agrifoods Development	50	53	103
Total¹	118	274	392

1. This figure does not include: the entire staff complement of seasonal employees employed in the Forestry Services Branch (majority male), employees in communications and ministerial support shared with the Mines and Energy Branches and employees with corporate services shared with other departments.

Table 2 – Employee Breakdown (agency)

Physical Location

There are 24 forest management district offices and eight agricultural units throughout the province. The headquarters of the agency are located at the Fortis Building in Corner Brook.

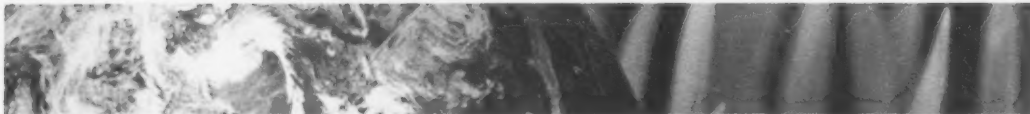
Fortis Building
P.O. Box 2006
Corner Brook, NL
A2H 6J8

Website

The Department of Natural Resources website is located at: <http://www.gov.nl.ca/nr>.

Budget

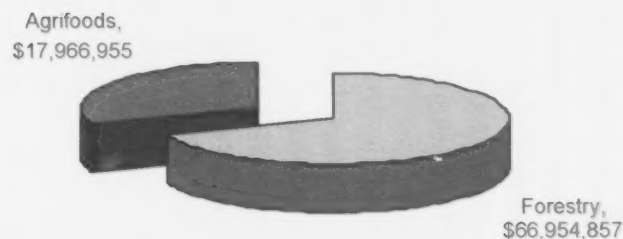
Expenditures for the Forestry and Agrifoods Agency in fiscal year 2010-11 totaled \$84,921,812 million this figure does not include \$38,197,190 related to executive and



Forestry and Agrifoods Agency

support services which are shared with the Mines and Energy Branches. The following chart provides a breakdown of expenditures by branch. See Appendix II for additional details.

2010-11 Expenditures by Branch



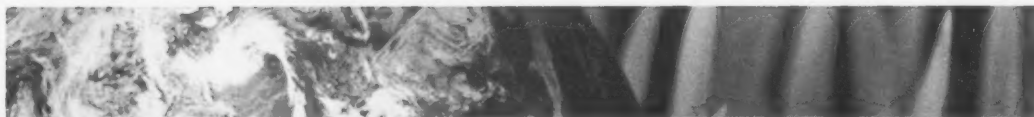
Lines of Business

Enforcement and Compliance of Legislated Requirements

The agency's responsibility for enforcement of the province's forestry legislation (*Forestry Act and Regulations*) is delivered through a regional services structure. In addition, the agency collaborates with other government departments and agencies in enforcement of the *All-Terrain Vehicle (ATV) Act and Regulations*. The agency is responsible for monitoring timber harvesting operations as well as tracking wood movement for compliance with regulations under the various acts noted above.

Licensing and Permitting

The agency's regional and district offices issue several licenses and permits that are directly related to the Forestry Services Branch mandate. As examples these include: domestic and commercial timber harvesting permits, commercial and domestic sawmill licenses, permits to burn during the fire season and timber purchase licenses. These offices also issue several permits and licenses on behalf of the Department of Environment and Conservation. Examples of these include: livestock protection from coyote permits, permits to transport big game in closed season, distribution of big game



Forestry and Agrifoods Agency

meat permits, Salmonier Nature Park entry/travel permits and permits to destroy problem animals. All permits and licenses issued by the forestry services branch can be viewed on the agency's website.

Regional Services

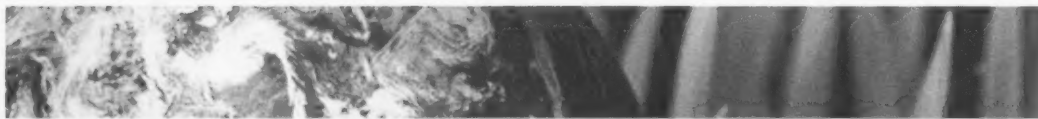
The policy and programs associated with sustainable forest management, health and services are implemented through a regional/district structure. Regional Services is responsible for the delivery of the silviculture, resource roads, forest fire suppression, and enforcement/compliance programs. In addition, Regional Services is responsible for dealing with wildlife issues related to public safety (road kills, injured animals, etc.), public awareness programs (presentations to schools, service clubs, etc.), addressing public concerns on other forest resource management issues and the development of district sustainable forest management plans.

Sustainable Forest Management

Through the agency's headquarters in Corner Brook and offices in St. John's, the agency is responsible for policy, legislation, programs and forest management planning that enable the residents of the province to benefit from the ecosystems while ensuring their sustainability and health. These programs include silviculture, resource roads construction, forest inventory, forest fire suppression, forest insect control, forest management planning, enforcement/compliance and industry development.

Animal Health

Animal health services generally involve any aspect of animal health that is justifiably in the public interest and within those budgetary limits set by the Provincial Government, including: farm animal veterinary services (livestock and poultry); laboratory analyses (veterinary diagnostic and food safety); control of food quality (milk and meat); monitoring and control of animal disease of economic or public health interest; professional witnesses in cruelty to animals complaints; assistance to police and wildlife officials; and control of heritage animals.



Forestry and Agrifoods Agency

Business Development Services

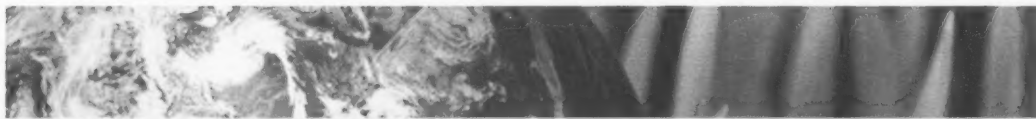
The agency delivers and administers a wide range of business development services and programs including: Production Insurance, the provincial Agrifoods Assistance Program, and the Agriculture and Agrifoods Development Fund; Grants and Subsidies for the Newfoundland and Labrador Federation of Agriculture, 4-H Program, and the Provincial Training Program; and Professional Advisory Services through the Extension Services section.

Land Management

The agency's land management program includes: the Land Use Program involving the Real Property Tax Exemption Program, Land Consolidation Program, and Environmental Farm Planning Program; Agriculture Limestone Program; Soil Survey Program; and the Soil Fertility and Laboratory Services Program.

Production and Market Development

The agency offers a wide range of programs and services aimed at maximizing production and market development at the primary and secondary levels. These programs and services include: professional and technical support; pest control training; research and development; market development; market intelligence; on-farm food safety; and marketing and promotion.



Forestry and Agrifoods Agency

2010-11 Year in Profile

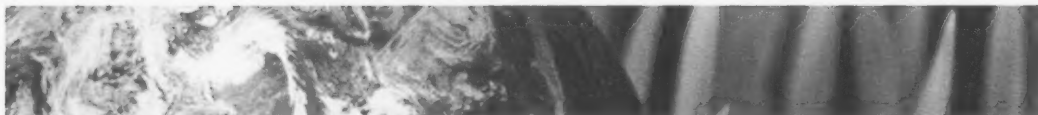
The Forestry and Agrifoods Agency has worked over the past year with the forestry and agriculture sectors providing programs and services to support the economic and sustainable advancement of these natural resources throughout Newfoundland and Labrador. The following sections profile some of the accomplishments of the agency during 2010-11.

1. Growing Forward Marks First Anniversary in Province

June 2010 marked the first anniversary of the signing of the Canada-Newfoundland Growing Forward Bilateral Agreement. In Newfoundland and Labrador, the Growing Forward Bilateral Agreement will see the Provincial Government invest \$11.83 million and the Federal Government invest \$17.75 million over five years.

The Canada-Newfoundland and Labrador Growing Forward program is a jointly funded initiative (60 per cent federal – 40 per cent provincial) that provides funding to the agriculture and agrifoods industry to promote three strategic outcomes: a competitive and innovative sector, a sector that contributes to society's priorities, and a sector that is proactive in managing risks. In 2010-11, Growing Forward programming has made significant contributions to the industry by providing \$6,036,940 in funding to 93 producers to complete 167 projects.

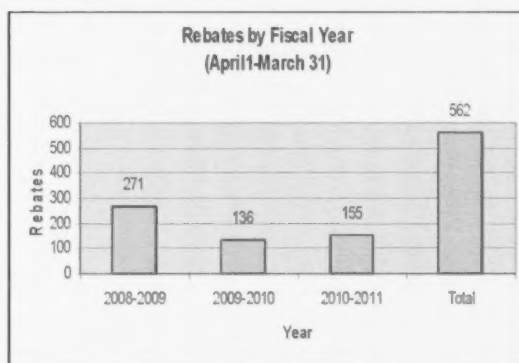
Business Risk Management programs continued to be supported through the year with programs such as: AgriInsurance, AgriStability and AgriInvest. These programs are designed to protect against income declines and stabilize producer income. Twenty-nine producers were enrolled in AgriInsurance for the 2010 crop year and insurance was provided for a total coverage value of \$1,033,879.



Forestry and Agrifoods Agency

2. Provincial Pellet Appliance Rebate Program provided over \$327,000 in Rebates over three-year span

To assist in developing a wood pellet market, the Government of Newfoundland and Labrador offered a 25 per cent rebate to residents that purchased a new wood pellet appliance. The rebate was 25 per cent up to \$1,000 for a wood pellet stove and up to \$1,500 for the purchase of a wood pellet furnace. The Residential Wood Pellet Appliance Rebate was utilized from April 1, 2008 and concluded March 18, 2011. The Forestry and Agrifoods Agency approved 562 applications with an average rebate being \$582.59. The Residential Wood Pellet Appliance program awarded \$327,415.22 in rebates over the three years of the program.



During the Fiscal Year 2010-11 there were 155 Residential Wood Pellet Appliance rebates approved, totaling \$91,453.62 paid to applicants. Applications were received by the agency from various sites across Newfoundland and Labrador.

There are two plants producing wood pellets: Exploits Pelletizing Inc., a division of Blanchard's Cabinet Doors located in Bishop Falls and Cottle's Island Lumber Co. Ltd in Summerford. A third pellet plant

is being constructed in Roddickton, by Holson Forest Products Inc. It is in the commissioning stage and expected to be in production in 2011.

3. Final Year for Forest Product Development Market Program

In the past year, 12 projects were funded under the Forest Product Development Market Program (FPDMP) totaling \$182,000. This program, a component of the Forest Industry Diversification Program (FIDP), provides sawmill and value-added companies with funding to help them pursue new product development opportunities and new markets for their products, as well as supports new diversification initiatives. In 2010-11 these



Forestry and Agrifoods Agency

projects included; business plan development, product development and feasibility analysis, training seminars, industry promotion efforts, product development workshops, market development initiatives, and international study missions. The program concluded March 31, 2011.

4. Maintaining Healthy Forest Ecosystems through Silviculture

Maintaining healthy forest ecosystems is a high priority within the agency. The Forestry and Agrifoods Agency implements a province-wide silviculture program each year and facilitates the delivery of a parallel program by Corner Brook Pulp and Paper Limited (CBPPL) through a cost-sharing arrangement with that company. The provincial silviculture program is comprised of two classes of activity, reforestation and forest improvement. Reforestation activities are designed to establish new forests, typically on sites that were previously forested but also on sites that have been non-forested for a long period of time. In 2010-11, the Provincial Government spent almost \$10.9 million in support of the silviculture program. This included \$2.7 million paid out to CBPPL to implement their silviculture program. Approximately 11,000 hectares were silviculturally treated in Newfoundland and Labrador this year. Of this, just over half was tree planting. To support this activity, provincial tree nurseries shipped just under 13 million seedlings.



Tree Nursery



Forestry and Agrifoods Agency

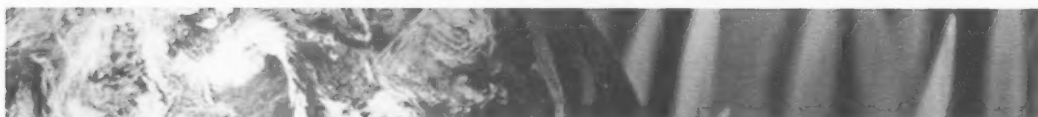
5. Cranberry Industry Development Program in its Third Year

This fiscal year was the third year of the five-year Cranberry Industry Development Program (CIDP). The CIDP has been established to facilitate the development of the cranberry industry through the introduction of financial assistance of \$15,000 per acre for up to 100 acres per year for eligible applicants in the province of Newfoundland and Labrador.

In 2010-11 the program expended \$926,350 for cranberry site development and plant propagation. Cranberry site development activities include on-farm roads that provide access to cranberry sites, cranberry bed development, dykes, water reservoirs and irrigation systems, ditches and drainage tiles, and the acquisition of approved cranberry plant material.



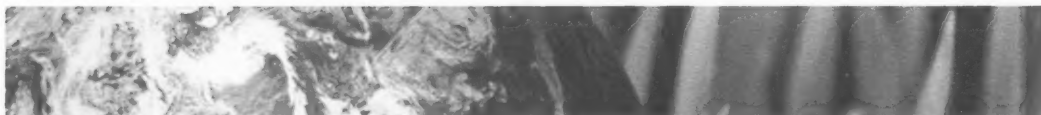
Cranberry Harvest



Forestry and Agrifoods Agency

6. Forest Fire Suppression Capabilities Increased in Province

Investments have been made by the Government of Newfoundland and Labrador to increase the forest fire suppression capability. The province received the first of four new Bombardier 415 water bombers in April 2010 and the second arrived in July 2010. The new aircraft will improve the province's aerial firefighting capacity which is important during the annual forest fire season. The new aircrafts will ensure the continuation of a strong and dependable forest firefighting capability.



Forestry and Agrifoods Agency

Outcome of Goals and Objectives

This section of the Annual Performance Report details the significant work undertaken and completed by the department on its goals over the 2008-11 planning period as well as its objectives for 2010-11.

Issue 1: Growth and Diversification of the Agriculture and Agrifoods Industry

The Forestry and Agrifoods Agency has worked diligently with industry and other stakeholders to strengthen the agriculture and agrifoods industry in the province. Through working with Agriculture and Agri-Food Canada, the agency has expanded the reach and coverage of the Agriculture and Agrifoods Research and Development Program. Through Growing Forward, we have funded a variety of programs to assist our agriculture and agrifoods industry. As well, as part of our agriculture and agrifoods strategy, the agency has developed an implementation plan to guide the future growth of our industry. Our actions have helped support the advancement of the agriculture and agrifoods industry in Newfoundland and Labrador. This issue is tied directly to our strategic direction of "Increased Forestry, Agriculture and Agrifoods Development and Diversification.

Annual Objective / Indicators: 2010-11

Objective:

By March 31, 2011, the Forestry and Agrifoods Agency will have implemented initiatives to support research and development, increased industry capacity, diversification and promotion of the province's agriculture and agrifoods industry.

Measure: Implemented initiatives to support research and development, increased industry capacity, diversification and promotion of the province's agriculture and agrifoods industry.



Forestry and Agrifoods Agency

Objective Indicator Progress

1. Expanded the reach and coverage of the Agriculture and Agrifoods Research and Development Program

The Forestry and Agrifoods Agency has negotiated with the federal government, a new funding agreement called the Canada-Newfoundland AgriFlexibility Agreement to expand the reach and coverage of the Agriculture and Agrifoods Research Program. The program will see an additional \$1.5 million per year of federal funding for the period of 2011-12 to 2013-14 bringing the total allocation to \$2.5 million per year.

2. Supported initiatives related to Agritourism, Agriculture in the Classroom and Strategic Business Development

Funding was provided through the Growing Forward program to the Newfoundland and Labrador Federation of Agriculture in all three areas.

- **Agritourism** - Funding of \$71,194 was provided to develop a strategy that will aid in future development of the agritourism industry in the province.
- **Agriculture in the Classroom** - Funding of \$40,428 was provided to develop a strategy that will aid in the future development of the agriculture industry through the implementation of an Agriculture in the Classroom program.
- **Strategic Business Development** - Funding of \$35,528 was provided for the development and implementation of industry strategies for the vegetable, blueberry, cranberry and organic/natural meat sectors. Funding in the amount of \$83,153 was also provided for four other projects to study wildberry production in Southern Labrador, and host conferences on the agriculture labour market, agriculture opportunities in the Avalon region, and to send participants to a forum on leadership and capacity building. Growing Forward also funded ten individual producers (new entrants) to complete business plans for total funding of \$60,638 for these initiatives.

3. Conducted survey and analyzed results of the current marketing practices of producers within the province to identify key focus areas

A farm product marketing survey with Newfoundland and Labrador agricultural producers was completed and the results were analyzed to determine their current marketing practices and how the industry currently promotes itself. The data collected from respondents identifies key focus areas that can be used by various stakeholders



Forestry and Agrifoods Agency

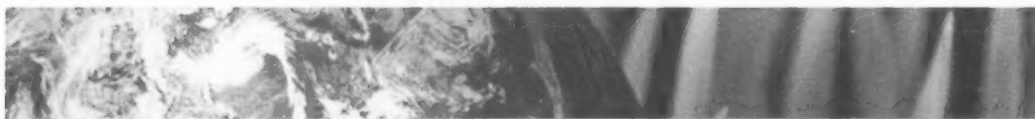
moving forward with the provincial agricultural industry. The report identifies opportunities for collaboration in the marketing and promotion of the agricultural industry. The Forestry and Agrifoods Agency will assist in identifying the essential operational marketing activities that will provide support for market development such as key messaging, establishing competitive advantage and targeting marketing dollars to maximize the return on investment.

4. Developed an implementation plan to support the advancement of the agriculture and agrifoods industry

As part of the agriculture and agrifoods strategy which has been developed entitled, "Our Farms, Our Food, Our Future", an implementation plan has been completed to guide the direction of the agriculture and agrifoods industry over the next five years.



Dairy Farm



Forestry and Agrifoods Agency

Three-Year Goal / Indicators: 2008-11

Goal:

By March 31, 2011, the Forestry and Agrifoods Agency will have enhanced programs to support the growth and diversification of the agriculture and agrifoods industry.

Measure:

Enhanced programs

Goal Indicator Progress

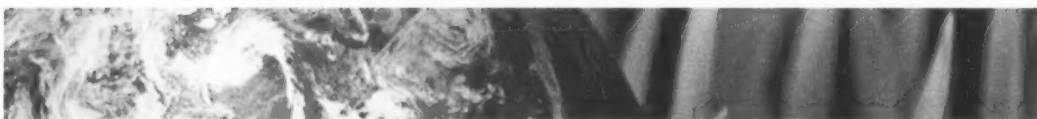
1. Assessed priorities for future agriculture and agrifoods sector development

The Forestry and Agrifoods Agency consulted the agriculture and agrifoods industry in 2009 and through a steering committee assessed opportunities and developed key priority areas for advancement of the agriculture and agrifoods industry in Newfoundland and Labrador. Key priority thematic areas include: strengthening local production, focusing on our consumers, supporting innovation and business management and planning for the long-term sustainability and growth of agriculture and agrifoods in the province.

2. Increased promotion of the agriculture and agrifoods industry

Over this strategic planning period, the agency has surveyed the industry to determine the knowledge level that consumers have concerning the agriculture industry. These surveys have assisted the agency in identifying promotional opportunities. As well a farm product marketing survey has been completed and analyzed to determine the current marketing practices and how the industry currently promotes itself.

Funding has been provided through the Growing Forward Program to agribusinesses and industry groups for increased promotional activities. Initiatives funded included product and market awareness; booth and website development; and development and implementation of strategies for Agriculture Awareness, Agritourism and Agriculture in the Classroom.



Forestry and Agrifoods Agency

3. Enhanced programming to agribusinesses to support growth, innovation and diversification

The agency has enhanced programming to support growth, innovation and diversification for agribusiness in the province.

Through a new funding agreement with the federal government, the Agriculture and Agrifoods Research Program has been expanded from \$1.5 million to \$2.5 million per year.

In Newfoundland and Labrador, the Growing Forward Bilateral Agreement will see the Provincial Government invest \$11.83 million and the Federal Government invest \$17.75 million over five years. The Canada-Newfoundland and Labrador Growing Forward program is a jointly funded initiative (60 per cent federal – 40 per cent provincial) that provides funding to the agriculture and agrifoods industry to promote three strategic outcomes: a competitive and innovative sector, a sector that contributes to society's priorities, and a sector that is proactive in managing risks.

This fiscal year was the third year of the five-year Cranberry Industry Development Program. The CIDP has been established to facilitate the development of the cranberry industry through the introduction of financial assistance of \$15,000 per acre for up to 100 acres per year for eligible applicants in the province of Newfoundland and Labrador.



Hay Baler

As well, through this three-year cycle, the agency has developed an agriculture and agrifoods action plan, "Our Farms, Our Food, Our Future". This plan outlines key actions and program areas to focus on over the next five years.



Forestry and Agrifoods Agency

Issue 2: Competitiveness in the Forestry Sector

The Forestry and Agrifoods Agency continues to explore opportunities to economically advance the forestry industry in Newfoundland and Labrador. The agency is working with stakeholders to further develop and diversify the forestry industry in a sustainable manner. Several initiatives undertaken by the agency such as providing funding to current operations for diversification and modernization, taking steps towards land base certification and fiber supply initiatives all contribute to the strategic direction of the agency to "increase Forestry, Agriculture and Agrifoods Development and Diversification"

Annual Objective / Indicators: 2010-11

Objective:

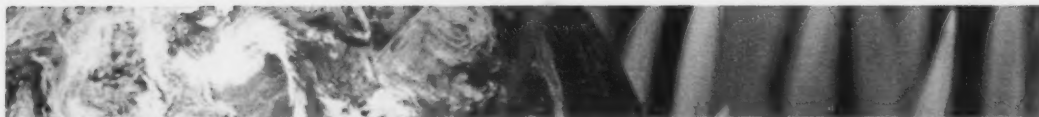
By March 31, 2011, the Forestry and Agrifoods Agency will have undertaken measures to improve the competitiveness of the forestry industry.

Measure: Initiate actions related to key market opportunities to improve the competitiveness of the forest industry.

Objective Indicator Progress

1. Initiated market plans for two of the five identified opportunities

A solid wood products Market Analysis Report, prepared by Laue Guay as commissioned by the Forestry Services Branch was released to the sawmill industry in an effort to gather feedback on marketing direction. Specific market plans were not developed for solid wood product markets identified in the Laue Guay report. Rather, it was decided to initiate further discussions with the Sawmilling Sector and to prepare a more comprehensive multi-year Provincial Solid Wood Products Marketing Strategy. The outcome of expanding the scope and parameters of the final product should result in increased benefit for the forest industry. Tentatively the strategy is expected to be finalized in the Fall of 2011.



Forestry and Agrifoods Agency

2. Initiated the process for the adoption of an environmental management system for Crown Tenures

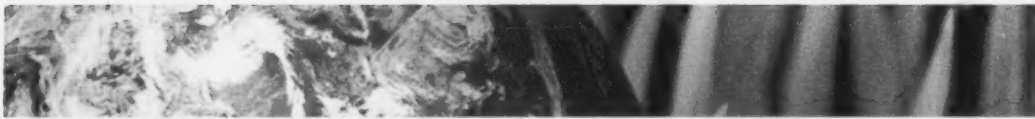
An external consultant (AMEC) was hired by the Forestry and Agrifoods Agency to initiate the process of developing an Environmental Management System for registration under the ISO 14001 Standard. Current policy and harvesting practices were reviewed and a series of significant environmental aspects identified. The certification initiative will continue.

3. Increased wood supply via purchasing cutting rights from Corner Brook Pulp and Paper Limited

The Forestry and Agrifoods Agency was successful in negotiating the details of a purchase agreement for acquiring timber cutting rights from Corner Brook Pulp and Paper. A total of 447,427 ha of land was negotiated for purchase over eight geographic locations. Crown ownership/control over timber cutting rights increases the wood supply for a diverse group of operations.



Corner Brook Pulp and Paper Limited



Forestry and Agrifoods Agency

Three-Year Goal / Indicators: 2008-11

Goal:

By March 31, 2011, the Forestry and Agrifoods Agency will have identified innovative opportunities for value-added production and contributed to the optimization of the benefits received from the forestry resources of the province.

Measure 1: Identified innovative opportunities for value-added production

Goal Indicator Progress

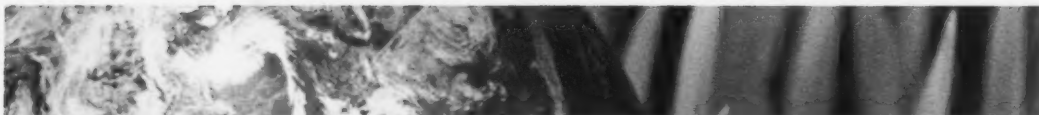
1. Identified strategic opportunities for value-added production

To support the development of a provincial marketing strategy for the solid wood products sector, the agency employed the services of an external consultant to prepare a report on potential markets for new wood products. The report was completed in late 2009 and it identified key market opportunities for value-added production. The report was subsequently distributed to the solid wood products sector for review and comment. A draft of a comprehensive multi-year marketing strategy was prepared. Through market studies and consultations with industry stakeholders, opportunities have been identified in the value added sector. As an example through the Forest Industry Diversification Fund significant investments have been made in the wood pellet industry.

2. Promoted diversification within the sector

The Forest Industry Diversification Fund (FIDF) administered by the Forestry Services Branch focused on several initiatives to help diversify the forest industry. To help the sector identify possibilities for diversification and improve business operations several action items were completed that have successfully promoted diversification within the sector.

Diagnostic studies were conducted by the solid wood products division of FP Innovations (Research Institute based in Pointe Claire, Quebec). The studies involved mill diagnostics and detailed technical analysis of the six major sawmills in the province and the development of sustainable business plans. The development of sustainable business plans and diagnostic results helped identify diversification opportunities for



Forestry and Agrifoods Agency

those mills involved. An internal assessment of the studies was completed by the FIDF coordinating committee which provided the basis for evaluating submissions made by four major sawmills under the FIDF. The funding provided for new dry kilns and hewsaws to increase dimensional lumber products. Funding was also approved for diversification into the wood pellet industry and infrastructure for value added facilities and infrastructure to diversify into products such as coloured wood siding.

A report was commissioned to identify potential markets for new and current forest-based products. The Laue Guay Report on Markets for Solid wood products and product diversification was released to the industry and feedback was provided by the industry. Additional industry wide consultations shall be conducted in fiscal 2011-12 and a comprehensive multi-year marketing strategy prepared by the Forestry and Agrifoods agency. These efforts promoted diversification within the forestry sector through providing the industry with ideas for new markets.

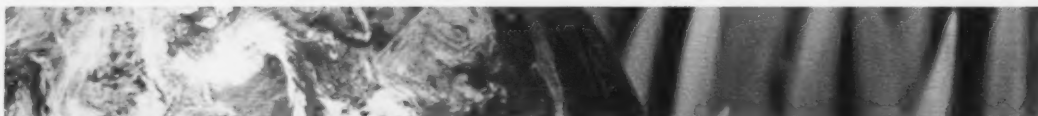
A key to diversification is identifying and/or creating a product market. A rebate program was developed and made available to home owners for the purchase of a new wood pellet burning appliance through the FIDF. This initiative resulted in helping some 155 households chose a renewable energy supply and helped provide a market place for the emerging pellet industry. A total of \$91,453 was disbursed under the rebate program.

The Forestry and Agrifoods Agency was successful in negotiating the details of a purchase agreement for acquiring timber cutting right from Corner Brook Pulp and Paper. A total of 447,427 ha of land was negotiated for purchase over eight geographic locations. Crown ownership/control over timber cutting rights increases the wood supply for a diverse group of operations. Providing opportunities for fiber utilization promotes diversification.

3. Increased commitment to industry's capacity to innovate

The provincial government in 2008 committed \$14 million into a new program called the Forestry Industry Development Fund. A key pillar of the FIDF was to provide support/commitment to the forest industry and help the industry compete in the global economy and to identify and develop specific new products and market opportunities.

The funding that was made available and initiatives undertaken by the agency through the FIDF illustrated the increased commitment to industry's capacity to innovate.



Forestry and Agrifoods Agency

4. Supported increased efficiency of forestry sector business operations

Provided the major integrated sawmills diagnostic studies that involved mill diagnostics and detailed technical analysis and the development of sustainable business plans. Subsequent funding through the Forest Industry Diversification Fund was made available to qualified candidates to help make operations more efficient.

Measure 2: Contributed to the optimization of the benefits received from the forestry resources of the province

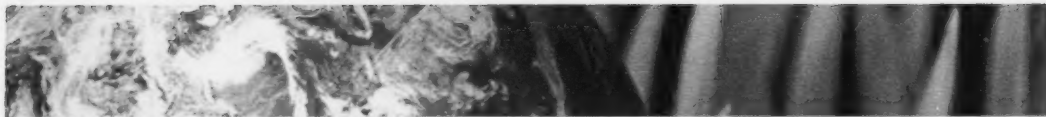
Goal Indicator Progress

5. Increased market opportunities

Many of the items pursued by the agency this fiscal year will lead to increased market opportunities in the future as initiatives continue. An example of such an initiative is land base certification. Raw materials obtained from certified land bases are potentially more attractive in the market place. In some instances only wood products from a certified land base are accepted. As a step towards having the crown tenure certified to an international standard the agency decided to pursue the registration of their environmental management system under the ISO 14001 standard. The first step in the process is underway. An external consultant (AMEC) was hired to initiate the process of developing an EMS for registration. Current policy and harvesting practices were reviewed and a series of significant environmental aspects identified. The initial framework for EMS registration began in 2010-11 and it is anticipated that certification will be achieved in the next fiscal year.

A solid wood products Market Analysis Report, prepared by Laue Guay as commissioned by the Forestry Services Branch was released to the sawmill industry in an effort to gather feedback on marketing direction. Numerous individual projects with key industry players were conducted. A draft of a comprehensive multi-year marketing strategy is being prepared for fiscal year 2011-12. The opportunities identified by Laue Guay in his report can help the sawmill sector diversify and therefore has increased market opportunities to the local producers.

In the past year, 12 projects were funded under the Forest Product Development Market Program (FPDMP) totaling \$182,000. This program, a component of the Forest Industry



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Diversification Program, provides sawmill and value-added companies with funding to help them pursue new product development opportunities and new markets for their products as well as supports new diversification initiatives. In 2010-11 these projects included; business plan development, product development and feasibility analysis, training seminars, industry promotion efforts, product development workshops, market development initiatives, and international study missions. The program concluded March 31, 2011.

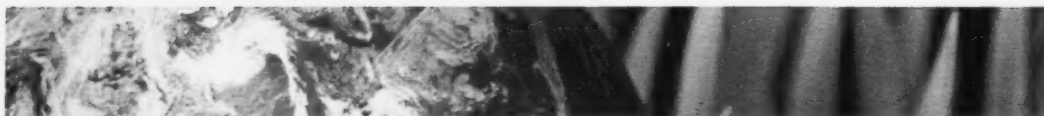
6. Promoted diversification within the sector

The Forest Industry Diversification Fund (FIDF) administered by the Forestry Services Branch focused on several initiatives to help diversify the forest industry. To help the sector identify possibilities for diversification and improve business operations several action items were completed that has successfully promoted diversification within the sector.

Diagnostic studies were conducted by the solid wood products division of FP Innovations (Research Institute based in Pointe Claire, Quebec). The studies involved mill diagnostics and detailed technical analysis of the six major sawmills in the province and the development of sustainable business plans. The development of sustainable business plans and diagnostic results helped identify diversification opportunities for those mills involved. An internal assessment of the studies was completed by the FIDF coordinating committee which provided the basis for evaluating submissions made by four major sawmills under the FIDF. The funding provided for new dry kilns and hewsaws to increase dimensional lumber products. Funding was also approved for diversification into the wood pellet industry and infrastructure for value added facilities and infrastructure to diversify into products such as coloured wood siding.

A report was commissioned to identify potential markets for new and current forest-based products. The Laue Guay Report on Markets for Solid wood products and product diversification was released to the industry and feedback was provided by the industry. Additional industry wide consultations shall be conducted in fiscal 2011-12 and a comprehensive multi-year marketing strategy prepared by the Forestry and Agrifoods agency. These efforts promoted diversification within the forestry sector through providing the industry with ideas for new markets.

A key to diversification is identifying and/or creating a product market. A rebate program was developed and made available to home owners for the purchase of a new wood pellet burning appliance through the FIDF. This initiative resulted in helping some 155



Forestry and Agrifoods Agency

households chose a renewable energy supply and helped provide a market place for the emerging pellet industry. A total of \$91,453 was disbursed under the rebate program.

The Forestry and Agrifoods Agency was successful in negotiating the details of a purchase agreement for acquiring timber cutting rights from Corner Brook Pulp and Paper. A total of 447, 427 ha of land was negotiated for purchase over 8 geographic locations. Crown ownership/control over timber cutting rights increases the wood supply for a diverse group of operations. Providing opportunities for fiber utilization promotes diversification.



Forestry and Agrifoods Agency

Issue 3: Sustainable Resource Management

Sustainability of our renewable natural resources is critical for the long term economic benefits for the people of our province. Through our actions, the Forestry and Agrifoods Agency will ensure that future generations of Newfoundlanders and Labradorians will have forestry and agriculture resources as part of the province's economy. This issue links to the overall agency strategic direction "improved sustainable resource development and usage for the long term benefit of the residents of the province".

Annual Objective / Indicators: 2010-11

Objective:

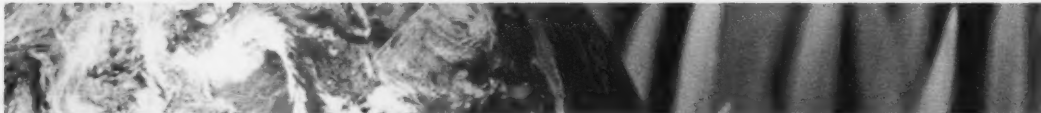
By March 31, 2011, the Forestry and Agrifoods Agency will have enhanced sustainable management measures for the forestry, agriculture and agrifoods sectors.

Measure: Enhanced sustainable management measures for forestry, agriculture and agrifoods sectors.

Objective Indicator Progress

1. Continued advancement of forestry industry opportunities in central Newfoundland and in Labrador

Through Expressions of Interest in Central Newfoundland and Labrador the agency has continued the advancement of forest industry opportunities. Work continued with various proponents seeking development opportunities in Labrador and Central Newfoundland. Comprehensive business plans related to forestry industry opportunities in both regions have been received and reviewed by the Forestry and Agrifoods Agency as well as representatives from Industry Trade and Rural Development. Several development ideas centered around the establishment of wood chip and wood pellet producing facilities while others looked at possible bio-fuel production facilities utilizing the latest in gasification and wood pyrolysis technology. The presentation of these various ideas initiated much discussion between government and proponents. While no firm business opportunities were developed, constructive conversation continues.



Forestry and Agrifoods Agency

2. Completed the development of a new five-year plan for central Newfoundland and through environmental assessment

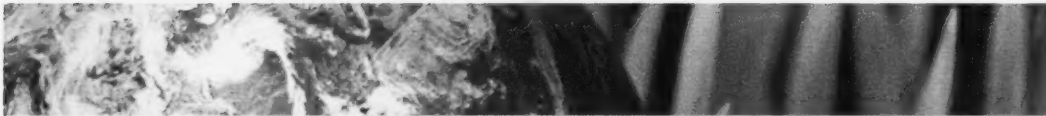
For this plan there was a single planning team and one plan submitted for zone 5. An initial advertisement was placed in local and regional newspapers, informal invitations were sent to community leaders within the zone and an extensive email to interest groups was sent out to inform potential participants of the meeting dates. In addition, a formal press release was issued by the agency a couple of weeks prior as well as a media advisory on the day of the initial meeting. Turnout was rated as excellent with over 80 stakeholders in attendance.

In total, 12 planning team meetings were held approximately two weeks apart from February to August 2010. Presentations were delivered by various stakeholders who identified their specific values and the importance and potential impacts of forestry activity on these values. Maps of potential harvest areas were posted. In April of 2010 and on June 2, 2010 draft sections of the plan were circulated to the planning team for review. In December 2010 a final meeting was held to finalize the plan prior to its submission to environmental assessment.

A new five-year plan was developed and subsequently submitted to the Environmental Assessment (EA) division in January 2011. The public comment process of the EA resulted in the agency receiving further comments/concerns regarding the submitted plan. To adequately address stakeholder concerns the agency made the decision to withdraw the plan.

3. Revised land base and a new Annual Allowable Cut for the island portion of the province

During the 2010-11 calendar year a provincial land base review was completed by the department. This analysis involved the integration of new inventoried areas, land base disturbances such as harvesting activity, silviculturally treated areas, insect damage, fire as well as any spatial data retrieved from various government departments pertaining to their interests. The industry was also a key player as it provided additional inputs such as their planning layers. The end result was an accurate and up-to-date land base file on which to base the upcoming five-year annual allowable harvest. From this point sophisticated computer modeling with the latest forest management assumptions were utilized to calculate long term sustainable annual allowable cuts for the province's forest management districts.



Forestry and Agrifoods Agency

4. Modernized and diversified the sawmilling sector through Forest Industry Diversification Fund lead initiatives

Two proposals were approved for funding under the Forest Industry Diversification Fund in 2010-11. The first was the modernization of a random length sawmill in Hampton (Burton Cove Logging) valued at \$3.818 million. The second project, valued at \$2.5 million, was for the modernization of a sawmill and value added plant in Cottles Island (Cottles Island Lumber). Both projects will enable these facilities to utilize the latest in sawing, drying and value added manufacturing technology which will reduce production costs and thus make these operations more efficient. The technology will also enable the mills to diversify potential products and therefore investigate new market opportunities both locally and globally.

5. Prepared provincial Sawmilling and Value Added Marketing Strategy

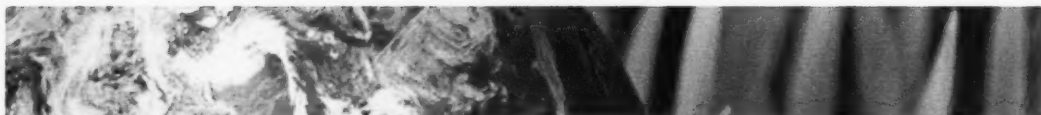
Prior to the development of a provincial sawmilling and value added marketing strategy, a solid wood products Market Analysis Report prepared by Laue Guay was completed as commissioned by the Forestry and Agrifoods Agency. This report was released to the sawmill industry in an effort to gather feedback on marketing direction. The agency concluded that in order to prepare a more comprehensive multi-year Provincial Solid Wood Products Marketing Strategy, it required further discussions with the sawmilling sector. Therefore, the finalization of this strategy was delayed and is expected to be finalized in the fall of 2011.

6. Completed a framework for an environmental management system for Crown tenure

In 2010-11, an external consultant (AMEC) was hired by the Forestry and Agrifoods Agency to develop a framework for an Environmental Management System for registration under the ISO 14001 Standard. Current policy and harvesting practices were reviewed and a series of significant environmental aspects identified. A Framework for an EMS was established by AMEC, and it is this that shall be further developed in 2011-12 with the goal of registration under ISO 14001 in late 2011 or early 2012.

7. Requested approval to draft a new Sustainable Forestry Act

Approval to draft a new Sustainable Forestry Act was requested by the Forestry and Agrifoods Agency.



Forestry and Agrifoods Agency

8. Completed a regeneration assessment of former private tenure

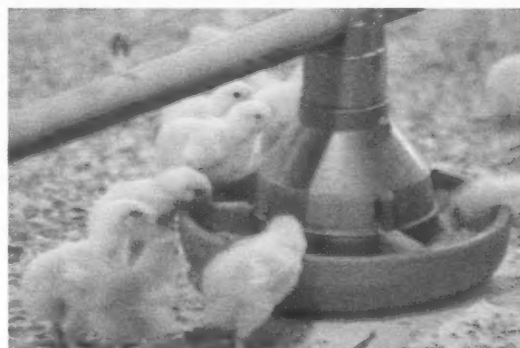
The Forestry Services Branch completed regeneration assessments on former private tenure held by AbitibiBowater. As a result remedial reforestation work has already been initiated. In 2010-11, the agency planted 1,154 ha of non-regenerating cutovers on these lands and prepared an additional 1,514 ha for planting in 2011-12.

9. Continued implementation of the Agriculture Sustainability Program

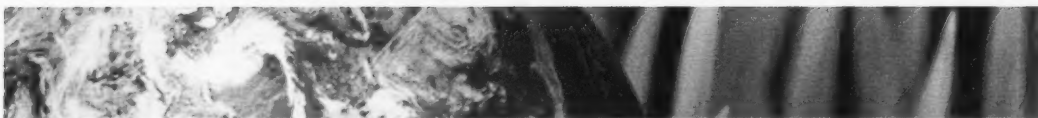
The objective of the Agriculture Sustainability Program under Growing Forward is to enhance food safety and environmental stewardship within the agriculture and agrifoods industry. The Agriculture Sustainability Program funded 10 food safety projects with total expenditures of \$366,366 for activities such as: cooling and refrigeration systems for vegetable and dairy farms; vegetable washing equipment; facility upgrades on poultry operations; and also included the Agrifoods Branch's Food Safety Outreach programming. This project provides consultative and advisory services to clients related to improving facilities, equipment and management techniques to meet current food safety guidelines and objectives. Growing Forward, through the Agriculture Sustainability Program, funded 24 environmental stewardship projects with total expenditures of \$908,387 for activities such as; improved manure handling and storage equipment and facilities; pesticide application equipment; improved on-farm fuel storage; as well as the Environmental Farm Planning initiative. This project provides advisory services to industry to aid in the completion of Environmental Farm Plans for producers. Currently, approximately 75 per cent of commercial farms in the province have an up to date Environmental Farm Plan.

10. Worked internally and with other departments and agencies to assess land identified for agricultural purposes and address competing land usages

The areas of agriculture interest were submitted to the Forestry Services Branch during this fiscal year. In addition, staff had ongoing discussions with Forestry staff on specific items related to the agricultural use of land of interest to Forestry. The agency has also worked in consultation with the Department of Environment and Conservation in the area of the protection of livestock and poultry farms from conflicting uses of land.



Chicken Barn Chicks



Forestry and Agrifoods Agency

Three-Year Goal / Indicators: 2008-11

Goal:

By March 31, 2011, the Forestry and Agrifoods Agency will have enhanced sustainable resource management measures for the province's forestry, agriculture and agrifoods sectors.

Measure 1: Enhanced sustainable resource management measures

Goal Indicator Progress

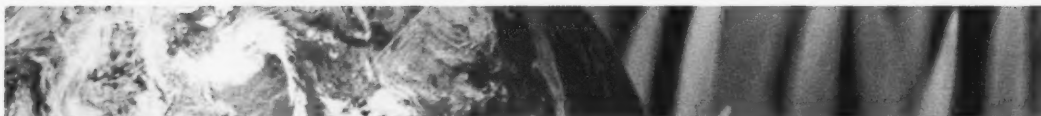
1. Reduced time to identify disease and insect pests

The Forestry Services Branch Surveillance Action Plan for 2008-09 consisted of a province wide aerial survey of forested stands followed by intensive ground plot sampling. The areas surveyed focused specifically on areas with historical persistence of insects. As a new initiative, an agreement has been made under the National Forest Pest Strategy which is the first phase in the planning for enhanced forest insect and disease surveillance.

Under the National Forest Pest Strategy, an agreement was reached between Newfoundland and Labrador and Canada for funding for a new position with the Forestry Services Branch to work on a series of initiatives focused on forest insect and disease management. These initiatives included:

- Establishing a framework for monitoring pests in managed stands;
- Participation and contribution at NFPS technical workshops and meetings;
- Gathering information for a multi-jurisdictional risk assessment of Eastern spruce budworm;
- Establishing a framework for monitoring forest pests in Labrador; and
- Training and capacity building in the areas of pest identification and diagnostics.

The time associated with forest insect and disease identification has been reduced through a growth in the knowledge capacity of the department's Insect Control staff. The sharing of information through networking, the archiving and analysis of historic information and the participation of the province under the National Forest Pest Strategy



Forestry and Agrifoods Agency

are all positives. Together they have enhanced the agency's ability to recognize and address forest insect and disease issues.

Surveillance activities within the agrifoods sector are carried out as opportunities present themselves and include cooperative work with other governmental agencies (federal or provincial), with private industry, through graduate research projects with universities, with existing divisional staff or otherwise. In 2008-09 planned research activities were initiated with Memorial University to expand knowledge and research initiatives into vector-borne diseases pertaining to the agrifoods industry. This research initiative builds on the surveillance carried out in monitoring the entry of the West Nile virus and movement of Lyme disease.

2. Improved capacity to support resource safety and protection

In response to the discovery of Aleutian disease in the province and the threat it posed to the further development of the mink industry, the Forestry and Agrifoods Agency developed and implemented the Aleutian Disease Management Program in 2008-09. The goal of this two year program was to help the mink industry manage and guard against Aleutian disease by improving biosecurity measures at their operations.

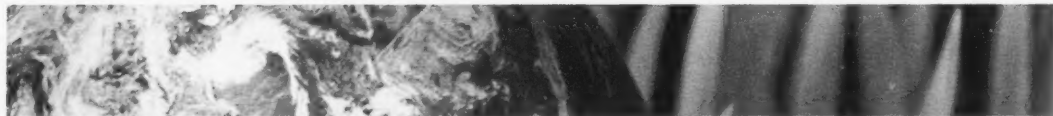
To improve capacity to increase forest fire protection, the agency hired a Forest Fire Training Specialist, incident management teams were developed in each region and new water bombers were acquired.

3. Improved forest fires protection

A Forest Fire Training Specialist was hired and various training initiatives were implemented. As well, the agency developed incident management teams in each region and the implementation of an incident command system. New water bombers were acquired to replace the aging fleet.

4. Analyzed existing forestry legislation and developed new forestry legislation

A draft *Foresters Act* was developed that will allow for self-regulation of the Forestry profession.



Forestry and Agrifoods Agency

5. Developed an operation plan for the formal identification of an agricultural land base for the province

An operational plan has been developed for the formal identification of areas of interest within the province which included an assessment and mapping of agricultural areas of interest within the province based on mineral soil and land use information has been completed. Mapping is upgraded as new information and data become available. As well data input and mapping of organic soils (peatland) within the province is ongoing and upgraded as new information and data become available.

In addition, the plan involved the identification of a five-year land base to expand the agriculture sector. Identification of agricultural land for farm expansion has been occurring in a number of areas including identification of land for various strategies, and purchases of granted lands for reallocation as agricultural leases through the Land Consolidation Program via the Land Consolidation Review Committee.

The Agrifoods Development Branch has also been working within the agency, specifically with forestry staff, and as well other departments and agencies to address competing land usages.



Forestry and Agrifoods Agency

Outcome of Mission

This section of the Annual Performance Report details the work undertaken and completed by the department over the last five years towards the achievement of its mission.

The Forestry and Agrifoods Agency through an array of programs and services has achieved significant progress in supporting the forestry, agriculture and agrifoods industries and the strategic directions of the agency. As outlined in the reporting of the indicators below, many programs and services have been offered to the industries to facilitate growth, diversification and innovation in order to achieve economic advancement in the province. As well, sustainability of both industries for the long term has also been an integral part of the work that the agency has been involved with over the past five years.

Five-Year Mission / Indicators: 2006-11

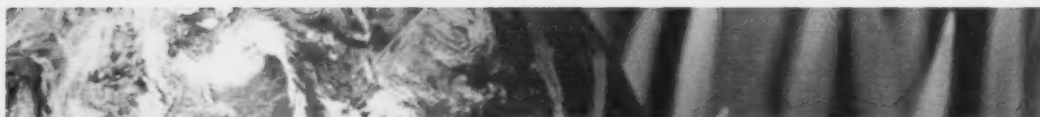
Mission Statement: By March 31, 2011, the Forestry and Agrifoods Agency will have implemented programs necessary to sustain the province's forest ecosystems, identified and facilitated further opportunities for sustainable forestry, agriculture and agrifoods resource development and optimized the benefits received from these resources.

Measure 1: Implemented programs necessary to sustain the province's forest ecosystems

Mission Indicator Progress

1. Actual harvest levels do not exceed sustainable harvest levels for each of the province's forest management districts in the context of five year targets

Annual harvest levels are reported and monitored through the provinces past annual reporting process where by both industry and crown are required to submit annual harvest reports indicating volume harvested by district. These reports are due annually on September 30th and report on the previous years harvesting activity. Based on four years of annual reporting, annual harvest levels for the province have not exceeded



Forestry and Agrifoods Agency

approved harvest levels. Through compliance and monitoring, as well as issuance of harvesting permits at the district level coupled with legislated reporting requirements, the Forestry Branch of the agency has ensured harvest levels do not exceed sustainable harvest levels. Sustainable harvest levels are identified through industry standard computer modeling every five years using current best management practices assumptions.

2. Area planted matches planting levels defined to maintain established sustainable harvest levels in the context of five year targets

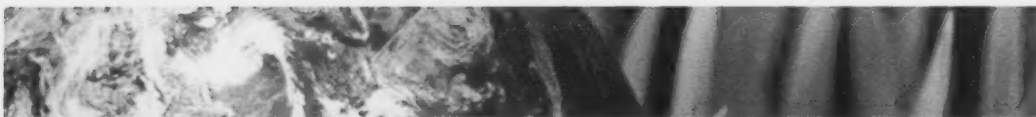
The agency continues to fulfill its obligation to ensure all harvested forests are regenerating. Planting levels match the level of harvesting and natural disturbances for the past five years and no backlog of sites needing planting has occurred. Crown contracts administered by the agency for reforestation (planting) are issued annually.

3. Area thinned matches thinning levels defined to maintain established sustainable harvest levels in the context of five year targets

Thinning levels have matched the five year targets and no backlog of sites needing thinning has occurred. Crown contracts administered by the agency for thinning are issued annually. Thinning is the cutting or removal of certain trees from a stand to regulate the number, quality and distribution of the remaining "crop" trees. Crown contracts administered by the agency for thinning are issued annually.



Thinning of Balsam Fir



Forestry and Agrifoods Agency

4. Promoted the development of and increased awareness of value-added wood manufacturing facilities in the province

Throughout the year agency staff promoted the awareness of locally produced value added products through attendance of various meetings and forest fairs. The value added booth constructed by the agency, which exhibits locally produced solid wood products, was used at these functions.

5. All forest management districts have current management plans in place

All required forest management districts have current management plans in place, with five new plans to be developed and approved in 2011. The Forestry Services Branch of the agency drafts all management plans for crown land with extensive public consultations.

6. Supported initiatives to increase protection of forests from insects

The agency undertook a comprehensive aerial forest protection program in the Goose Bay area to combat a large spruce budworm infestation. A similar program was conducted on the island to combat hemlock looper in the Baie Verte Peninsula, Northern Peninsula and White Bay areas. In both instances the intention was to reduce the amount of area defoliated by these two insects and to protect the softwood component for the forest industry.

Under the National Forest Pest Strategy, an agreement was reached between Newfoundland and Labrador and Canada for funding for a new position with the Forestry Services Branch, to work on a series of initiatives focused on forest insect and disease management. These initiatives included:

- Establishing a framework for monitoring pests in managed stands;
- Participation and contribution at NFPS technical workshops and meetings;
- Gathering information for a multi-jurisdictional risk assessment of Eastern spruce budworm;
- Establishing a framework for monitoring forest pests in Labrador; and
- Training and capacity building in the areas of pest identification and diagnostics.

Significant progress was made on each of the initiatives, all of which demonstrates how the agency has supported initiatives to increase protection of forest for insects.



Forestry and Agrifoods Agency

7. Supported increased research and development concerning management of forest resources

In 2010 the province entered into a Memorandum of Understanding (MOU) with the Canadian Forest Service (CFS) and Grenfell Campus – Memorial University to enhance the capacity and effectiveness of forest research in this province. During this strategic period, a new division was created within the Forestry and Agrifoods Agency called the Centre for Forest Science and Innovation. The Centre's staff has worked on targeted research activities in partnerships with the scientific and forestry communities. In 2010-11 thirteen research projects were initiated through \$300,000 of investment. The agency was able to leverage funding at a 7:1 ratio for a total research program of \$2,157,000.

8. Supported initiatives to decrease the amount of forest area burnt

In addition to the purchase of two new 415 air tankers (water bombers), extensive effort was made in the training of forest fire protection staff under the Incident Command system. The department now has a specialized Incident Management Team (IMT) which has been trained to handle large project fires.



New Water Bomber



Forestry and Agrifoods Agency

Measure 2: Identified and facilitated further opportunities for sustainable agriculture and agrifoods resource development and optimized the benefits received from these resources

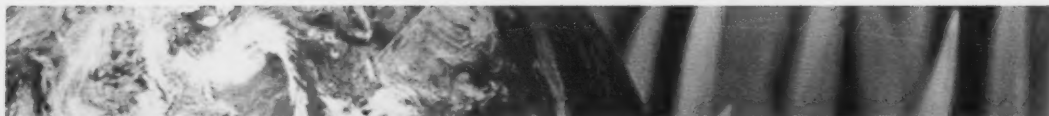
Mission Indicator Progress

9. Supported increased assurance of the safety of food products produced in this province

Agriculture producers and processors are continuously improving their operations and require extensive information concerning food safety standards and regulations that govern and guide the operation of food production and processing facilities. The Forestry and Agrifoods Agency has addressed industry's needs for resources, consultations, expertise and coordination to promote the adoption of food safety, traceability and biosecurity best practices for producers and processors of agrifood products. Some of the accomplishments include:

- Reduced food safety hazards in food produced and processed in the province through education in application of food safety policies and awareness to the general public;
- Developed, coordinated, reviewed and delivered training and material to educate producers and processors in applicable food safety systems, such as the Canadian On Farm Food Safety Program (OFFSP);
- Aided producers/ processors in the preparation of an auditing system that will allow the producer/ processor to verify that food safety systems are in compliance;
- Collaborated with industry stakeholders, agrifood organizations, associations and government to support the development and implementation of food safety systems specific to market specifications (i.e. CandaGAP);
- Provided a detailed review on the biosecurity and traceability programs implemented in other provinces to determine what biosecurity and traceability programs are applicable to this province and which, if any, of the programs may be implemented in Newfoundland Labrador.

Activities have been occurring from a regulatory, inspection, laboratory and research/surveillance perspective. Training is ongoing with inspection staff and the agency follows the ISO 17025 standards for laboratory testing and has successfully passed another cycle of auditing.



Forestry and Agrifoods Agency

10. Supported increased expertise and programming in the prevention and/or control of animal diseases of significance to the industry and general public

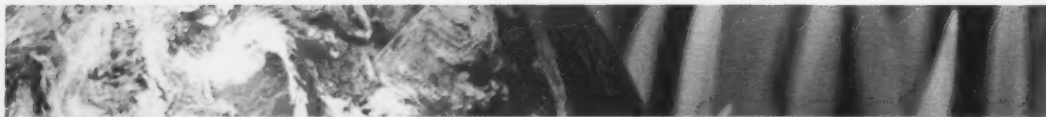
Research projects are underway in cooperation with Memorial University, the Ontario Veterinary College, the Public Health Agency of Canada and Environment Canada to monitor for avian influenza and other important diseases in wild birds, to look for evidence and risks of Lyme disease in this province and to better understand the importance of various mosquito-borne diseases. We are also working with the dairy industry, the Atlantic Veterinary College and Memorial University on surveillance for Johne's disease in the dairy industry and means to reduce its impact on farm economics.

In addition, the Animal Health Division provides support through professional consultation (pathologist and veterinary staff), co-supervision of graduate students, laboratory and postmortem room access, access to various types of equipment. The agency also financially supports research by covering some of the lab costs or hiring students during the summer. The Forestry and Agrifoods Agency has provided some funding support through its research funding program.

11. Supported sustained collaboration with industry, industry associations and other stakeholders

Collaboration with industry, industry associations and other stakeholders is a critical component to allow the Forestry and Agrifoods Agency to achieve its vision, mission and goals of its strategic plan. The agency collaborates with industry and key stakeholders to support growth and diversification. Our staff located throughout all regions of the province, work with our farmers to provide a variety of services. As well, through Growing Forward, we have an industry advisory committee comprised of 5 members that represent the dairy, vegetable, fruit, fur and chicken sectors.

The Growing Forward Industry Advisory Committee was formed to provide a feedback mechanism and enhance collaboration between the Growing Forward Management Committee and industry in areas of program development, delivery, and evaluation. Committee members will be able to share with government their written priorities and sector strategies relevant to Growing Forward in order to further advance the agriculture and agrifoods industry.



Forestry and Agrifoods Agency

12. Supported increased promotion of the agriculture and agrifoods industry

Over this mission cycle, the agency has supported increased promotion of the agriculture and agrifoods industry. The Forestry and Agrifoods Agency implemented a Consumer Awareness Campaign which involved the development and launch of both television and print media advertising. The agency was also actively involved over this period with various agriculture related fairs and shows throughout the province to highlight and promote the industry and its products.

The Forestry and Agrifoods Agency also surveyed the industry to determine the knowledge level that consumers have concerning the agriculture industry. These surveys have assisted the agency in identifying promotional opportunities. As well a farm product marketing survey has been completed and analyzed to determine the current marketing practices and how the industry currently promotes itself.

Agribusinesses and industry groups have been funded through the Growing Forward Program for increased promotional activities. Initiatives funded included product and market awareness; booth and website development; and development and implementation of strategies for Agriculture Awareness, Agritourism and Agriculture in the Classroom.

13. Supported increased availability of agriculture land

An operation plan has been developed through the identification of a five-year land base to expand the agriculture sector. Identification of agricultural land for farm expansion has been occurring in a number of areas including identification of land for various strategies, and purchases of granted lands for reallocation as agricultural leases through the Land Consolidation Program via the Land Consolidation Review Committee.

The Agriculture and Agrifoods Development Fund was established to encourage the development, diversification and expansion of large-scale agricultural projects in either the primary or secondary processing sectors, and is intended to stimulate and attract investments in the industry. Dairy Farmers of Newfoundland and Labrador was provided funding to establish a large-scale land development initiative to increase forage production for the sector and reduce the reliance on imported feeds. This investment will enhance the competitive capability and profitability of Newfoundland and Labrador dairy farms. Six million dollars was approved for this project over a three-year period.

As well, through the Growing Forward Agreement, there was \$886,740 spent under the



Forestry and Agrifoods Agency

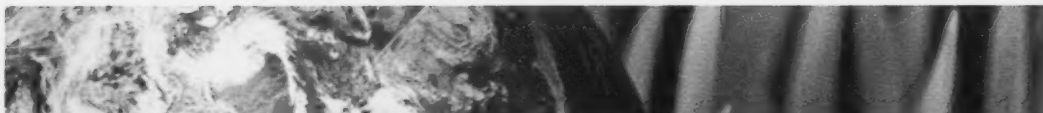
Agriculture Land Development Program which assisted to maximize the productivity and availability of agricultural land within Newfoundland and Labrador.

14. Supported increased agrifoods industry investment

The Forestry and Agrifoods Agency, through its programs and services has supported increased agrifoods industry investment. Through programs such as the Provincial Agrifoods Assistance Program, the Agriculture and Agrifoods Development Fund and Growing Forward, expenditures of \$3,820,521, \$4,779,655 and \$15,109,010 respectively have been made. Through these significant investments into the agriculture and agrifoods industry which are done as a percentage of eligible costs, it assists industry to further grow and diversify.

15. Supported increased value-added from primary production

The Agriculture and Agrifoods Development Fund was established to encourage the development, diversification and expansion of large-scale agricultural projects in either the primary or secondary processing sectors. Funding has been provided to the following businesses to support value-added initiatives: funding of \$1 million was provided to Brookfield Ice Cream, \$1 million to Central Dairies and \$1.2 million to NL Eggs Inc.



Forestry and Agrifoods Agency

Strategic Directions

The outcomes achieved by the Forestry and Agrifoods Agency with respect to their objectives for the year are consistent with the Minister's strategic directions for the strategic planning period. Many of the successes referenced below are covered in more detail in the Outcomes of Objectives section but are included here to illustrate their strategic importance.

Increased Forestry, Agriculture and Agrifoods Development and Diversification

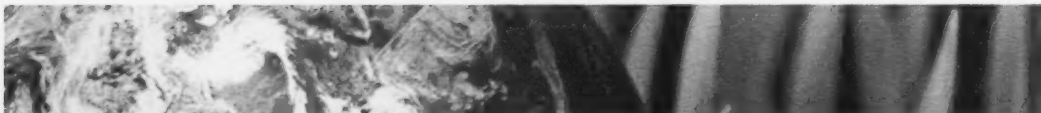
Economic advancement of the forestry, agriculture and agrifoods industries has been a key objective for the agency. Through programs such as the Forest Industry Diversification Program and the development of the Centre for Forest Science and Innovation, the agency has supported development, diversification and innovation.

The agency has also provided support to facilitate growth and diversification of the agriculture and agrifoods industry through programs such as the Growing Forward, the Provincial Agrifoods Assistance Program, the Cranberry Industry Development Program, the Agriculture and Agrifoods Assistance Program and the Agriculture and Agrifoods Research Program. Working with both industries has been pivotal in moving forward.

Improved Sustainable Resource Development and Usage for the Long Term Benefit of the Residents of the Province.

Sustainability of our renewable natural resources is instrumental to the long term benefits for the people of Newfoundland and Labrador. The Forestry and Agrifoods Agency has supported forest resource management through forest management planning and increased protection of our forest through initiatives related to insect monitoring and control and initiatives to decrease the amount of forest area burnt.

Sustainability in agriculture is critical to ensure long term agriculture and agrifoods production within the province. Initiatives such as the Agrifoods Sustainability Program, and Environmental Farm Planning have been significant in reaching this goal. The agency has also been actively involved in the prevention and/or control of animal diseases of significance to the industry and general public. The development and implementation of the Aleutian Disease Management Program is just one example of the agency's support to ensure longevity within the agriculture and agrifoods industry.



Forestry and Agrifoods Agency

Additional Highlights and Accomplishments

The additional programs outlined in this section contributed to the strategic directions of the Strategic Plan 2008-2011. They were important in assisting sector development and/or diversification or improved sustainable resource development.

1. Agriculture and Agrifoods Development Fund

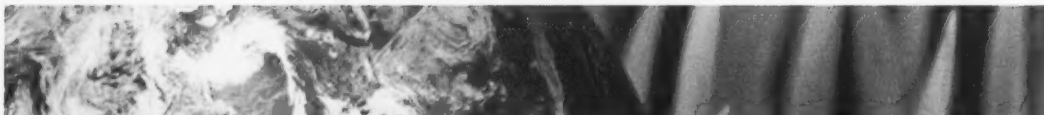
The Agriculture and Agrifoods Development Fund was established to encourage the development, diversification and expansion of large-scale agricultural projects in either the primary or secondary processing sectors, and is intended to stimulate and attract investments in the industry. The fund invested \$2 million in the agriculture and agrifoods industry this year. Dairy Farmers of Newfoundland and Labrador was provided funding to establish a large-scale land development initiative to increase forage production for the sector and reduce the reliance on imported feeds. This investment will enhance the competitive capability and profitability of Newfoundland and Labrador dairy farms. Six million dollars was approved for this project over a three-year period.

2. Provincial Agrifoods Assistance Program

The Provincial Agrifoods Assistance Program provides financial support to promote the growth and commercialization of the agriculture sector. In 2010-11, \$1,850,200 was invested in 176 projects across the province. Funding priority is placed on land development activities, including land clearing, enhancement, drainage, and on-farm access roads. Investment is also made in land development equipment such as rock rakes, harrows and limestone spreaders to increase productivity of our agricultural land base. The program provided funding to farmers for the construction of vegetable storages, greenhouses and feed storages to increase the province's self-sufficiency in food production. In addition, support was provided to regional pastures to provide a low cost feed source for the sheep and beef sectors.

3. Agricultural Limestone Program

The soils of Newfoundland and Labrador are naturally acidic and require the addition of agricultural limestone to enhance soil productivity and to improve the efficiency of fertilizers. The increased efficiency of fertilizer through the application of limestone



Forestry and Agrifoods Agency

reduces the amount of fertilizers which need to be applied to the land, thereby resulting in increased production, financial savings to farmers and reduced risk of contamination to surface and ground water. Limestone is used by most agricultural commodities in the province. In 2010-11, the Agricultural Limestone Program provided 70 producers 4,570 tonnes of limestone for 160 projects at a cost of \$328,675.

4. Real Property Tax Exemption Program for Agriculture

The Real Property Tax Exemption Program for Agricultural Land is designed to identify productive farm land and farm buildings used in connection with farm production that may be eligible for exemption from real property tax in accordance with the Municipalities Act. It may apply to individuals who are productively using agricultural land, whether it is owned, leased or rented. For the 2010 tax year, this program provided tax relief for 230 producers for 17,325 acres of productive farmland.

5. Centre for Forest Science and Innovation

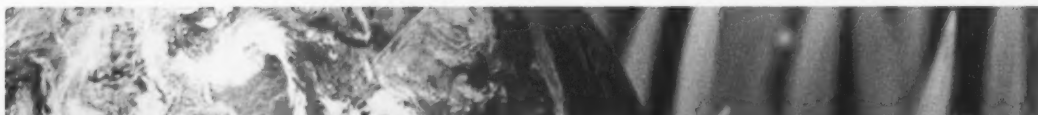
As part of the Forestry and Agrifoods Agency, the Centre for Forest Science and Innovation works to deliver provincial scope research programs while also providing direct program management advice at the regional level. In 2010-11, thirteen research projects were initiated through \$300,000 of investment. The agency was able to leverage funding at a 7:1 ratio for a total research program of \$2,157,000. In the first year of the program, projects were initiated in the areas of climate change, endangered species, bio-energy, and wood fibre.

6. Capital Resource Road Construction

In 2010-11 construction season a total of 78 new projects were tendered. This is in addition to 17 contracts which were carried over from the 2009-2010 season for a total of 95 projects (11 of which was the result of Hurricane Igor) and 6 of these contracts to be carried over into the 2011-2012 construction season.

These projects are broken down as follows:

- 90.73 km new construction
- 31.47 km of reconstruction
- 11.4 km of road decommissioning
- 22 new bridges proposed-21 completed
- 9 bridge repairs



Forestry and Agrifoods Agency

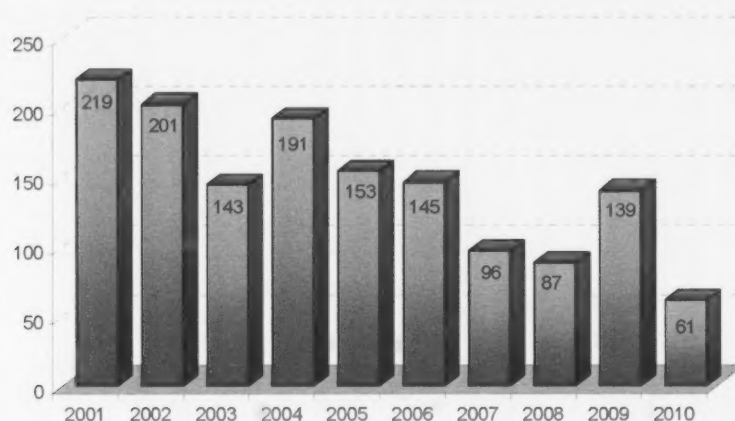
- 1 bridge decommission
- 789.8 km of grading
- 135km (both sides) of alder removal

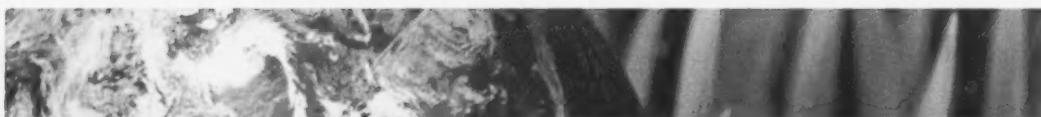
All work was tendered through the public tendering system and was open to contractors who were registered and in good standing with the Newfoundland and Labrador Construction Safety Association. This work was awarded to a total of 22 different local companies throughout many rural areas of Newfoundland & Labrador.

7. 2010 Forest Fire Season was Lowest on Record

Based on a ten-year average, the 2010 forest fire season was well below average in terms of numbers of fire starts and hectares burnt. In fact, 2010 was the lowest on record in number of fire starts with only 61 forest fires reported. In total, 1,020.2 hectares burned, with the island portion of the province representing only 38.7 hectares of the total. Productive forest burned during the 2010 forest fire season accounted for 8.8 hectares. The largest forest fire, at 527.5 hectares in size was located in the Labrador region.

**Numbers of Fires by Year
2001 - 2010**





Forestry and Agrifoods Agency

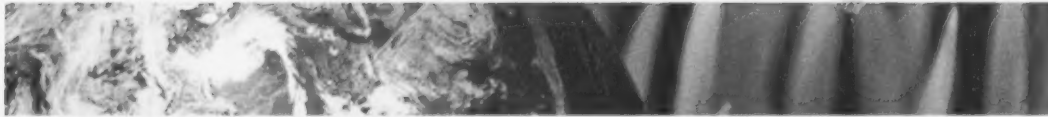
8. Forest Insect Control Program 2010-11

Forest insect pest management continues to be an important component of sustainable forest management. The Forestry and Agrifoods Agency actively monitors significant forest insect pests and applies control measures where and when required to minimize their negative effects on the forest resource. Pest management also benefits other values derived from healthy forest ecosystems including preserving habitat for many other organisms, water quality, minimizing potential soil erosion, ecotourism values, and more. In applying control measures, the Forestry and Agrifoods Agency uses the most effective means with the least non-target environmental impacts and operating under all required licenses and permits.

The province continues to experience a number of insect infestations. On-going infestations of three major forest insect defoliators were predicted for 2010. Aerial defoliation surveys in association with egg mass surveys indicated significant Hemlock Looper populations in Western and Northern Newfoundland. In addition, a Spruce Budworm outbreak was observed in Labrador and Balsam Fir Sawfly continued to be a concern but of a lesser degree in managed stands in Western portions of the island.

9. Prescribed Burning

In 2010, there were four prescribed burning projects completed with approximately 450 hectares in total treated. There were three projects in Western Newfoundland and one in the Central Region of the province. The purpose of the burns was to eliminate the slash and the Balsam fir regeneration on the sites. Balsam fir in those regions of the province is susceptible to the balsam woolly adelgid.



Forestry and Agrifoods Agency

Shared Commitments

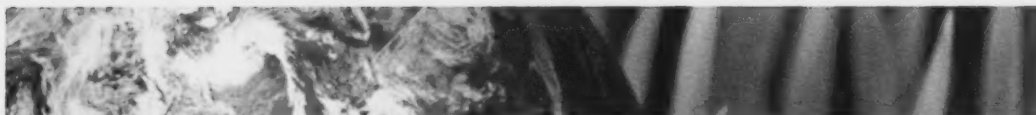
The Department of Natural Resources has legislative oversight for the following public bodies related to the forestry, agriculture and agrifoods sectors: Timber Scalpers Board, Forest Land Tax Appeals Board, Chicken Farmers of Newfoundland and Labrador, Wooddale Land Development Advisory Authority, St. John's Urban Region Agricultural Appeal Board, St. John's Land Development Advisory Authority, Agricultural Land Consolidation Review Committee, Farm Industry Review Board, Newfoundland and Labrador Livestock Owners Compensation Board, Newfoundland and Labrador Crop Insurance Agency, and Newfoundland and Labrador Farm Products Corporation.

The Forestry and Agrifoods Agency works closely with these public bodies toward fulfillment of the strategic directions of the Minister of Natural Resources.

The Forestry and Agrifoods Agency also works with the federal government through programs such as Growing Forward and the Canada-Newfoundland AgriFlexibility Agreement.

The Canada-Newfoundland and Labrador Growing Forward program is a jointly funded initiative (60 per cent federal - 40 per cent provincial) that provides funding to the agriculture and agrifoods industry to promote three strategic outcomes: a competitive and innovative sector, a sector that contributes to society's priorities, and a sector that is proactive in managing risks. In 2010-11, Growing Forward programming has made significant contributions to the industry by providing \$6,036,940 in funding to 93 producers to complete 167 projects.

The Forestry and Agrifoods Agency has negotiated with the federal government, a new funding agreement called the Canada-Newfoundland AgriFlexibility Agreement to expand the reach and coverage of the Agriculture and Agrifoods Research Program. The program will see an additional \$1.5 million per year of federal funding for the period of 2011/12 to 2013/14 bringing the total allocation to \$2.5 million per year.



Forestry and Agrifoods Agency

Opportunities and Challenges

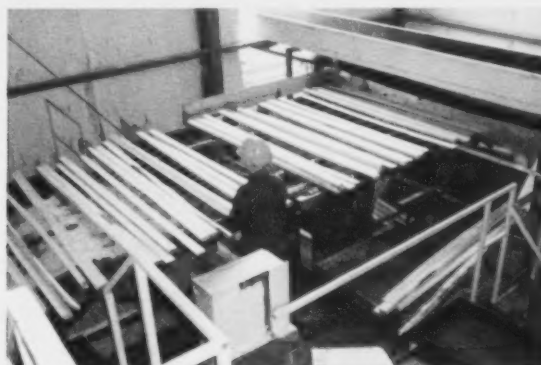
As the Forestry and Agrifoods Agency moves forward into a new three year strategic planning cycle, it will continue to work with the forestry, agriculture and agrifoods sectors to embrace opportunities and seek solutions to the challenges ahead.

The Agriculture and Agrifoods Industry

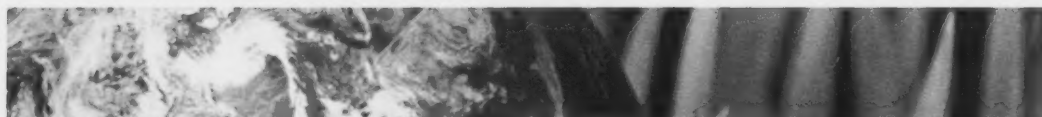
Our province currently imports approximately 90 percent of its food requirements. There is opportunity for agribusinesses to grow and diversify to further meet provincial agriculture and agrifood product demand. Through its five year Agriculture and Agrifoods Action Plan, *Our Farms, Our Food, Our Future*, the agency will develop and implement initiatives to strengthen local production of agriculture and agrifood products in a sustainable manner and address challenges faced by our industry.

The Forestry Industry

The Forestry industry has faced significant changes over the past several years in Newfoundland and Labrador. Challenges have been created due to aging mills and declining markets which have led to significant downsizing in the industry. The agency will work with the forestry industry to build on the strengths of the sawmilling and value-added industry. We will support sustainable economic opportunities to further develop and diversify the forestry industry in the province.



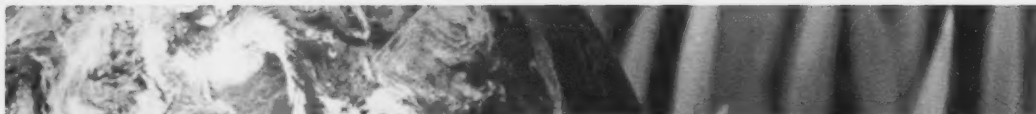
Sawmill Operation



Appendix I: Legislation

Mines and Energy Branches

1. ***Petroleum and Natural Gas Act.*** Defines how the rights to explore for and develop oil and gas properties on land may be obtained and maintained; how areas may be assigned for exploration; the scope with which government may regulate activity and the various royalties that may be due.
2. ***Canada-Newfoundland and Labrador Atlantic Accord Implementation Newfoundland and Labrador Act.*** Sets out the mechanism for joint federal-provincial management of the Newfoundland offshore area through the Canada-Newfoundland Offshore Petroleum board; defines the methods of obtaining exploration and production rights; the requirements for safety, resource conservation and environmental protection and the activities that may be regulated. The Act is mirrored in federal statutes.
3. ***Hydro Corporation Act.*** Continues the existence of, and sets out the mandate, powers and management structure of the Newfoundland and Labrador Hydro-Electric Corporation as a Crown agency.
4. ***Electrical Power Control Act.*** Sets policy with regard to electric power rates and establishes provisions for the determination of such power rates by the Public Utilities Board.
5. ***Lower Churchill Development Act.*** Authorizes the Minister of Mines and Energy to enter into an option agreement with the corporation guaranteeing the Lower Churchill Development Corporation (LCDC) executive water rights, rights to flood land and a sole option to purchase the Gull Island hydro assets.
6. ***Newfoundland and Labrador Power Commission (Water Power) Act.*** Extinguishes certain water power rights held at the time by BRINCO and provides for their assignment to Newfoundland and Labrador Hydro (Power Commission) to facilitate financing of the Bay d'Espoir hydro-electric project.
7. ***Miscellaneous Financial Provisions Act, 1975.*** Removes any restrictions elsewhere in provincial legislation on government assigning to Newfoundland and Labrador Hydro Electric Corporation a right, title or interest in royalties and rentals in



Mines and Energy

clauses 1 and 8 of Part II of the lease between government and CF(L) Co.

8. **Mineral Act.** Defines the rights of explorers and developers of mineral properties; the methodology to be used in obtaining such rights and the areas where government may regulate activity.

The Mineral Regulations provide specific details on the methods by which mineral rights may be acquired and the fee payments and reporting schedules required to keep these rights in good standing.

9. **Mineral Holdings Impost Tax Act.** Designed, by imposition of a tax, to encourage holders of mineral properties that do not come under the terms of the Mineral Act to either explore their lands or to surrender them so that they become subject to the Mineral Act.

The Mineral Holdings Impost Regulations set out the level of tax (impost) to be paid and the requirements for offsetting the tax through exploration expenditures.

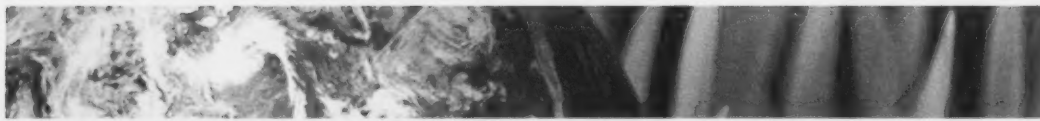
10. **Quarry Materials Act, 1998.** Defines the rights of explorers and developers of quarry materials; the methods by which such rights may be required, royalties payable; and areas where government may regulate activity.

The Quarry Materials Regulations set out the details for obtaining such rights and keeping them in good standing.

11. **Undeveloped Minerals Areas Act.** Enables government to arrange for the exploration of private mineral properties (generally ones which are not covered by the Mineral Act) that in its opinion have not been adequately explored. Properties affected by the Act have been identified by various orders.

12. **Mining Act.** Regulates the development, operation and closure of mines in the province; outlines requirements for development, operational and rehabilitation and closure plans as well as milling licenses and financial assurance. This Act does not deal with Occupational Health and Safety matters.

13. **Energy Corporation Act.** Establishes the existence of, and sets out the mandate, powers and management structure of the Energy Corporation of Newfoundland and Labrador as a Crown agency

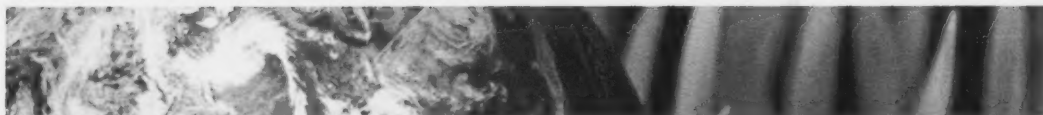


Department of Natural Resources

Forestry and Agrifoods Agency

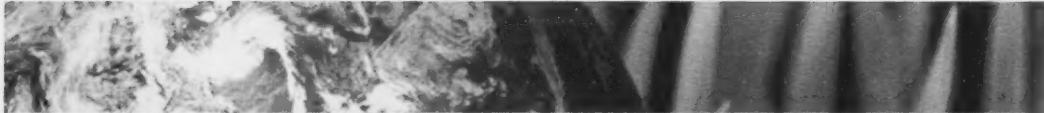
1. **Abitibi-Consolidated Rights and Assets Act.** An act to return to the crown certain rights relating to timber and water use vested in Abitibi-Consolidated and to expropriate assets and lands associated with the generation of electricity enabled by those water use rights.
2. **Foresters Act.** An act establishing the Association of Registered Professional Foresters of Newfoundland and Labrador. The act outlines the objectives, structure, operation and membership of the Association.
3. **Forestry Protection Act.** An act to provide for the establishment and maintenance of a forest protection association in the province.
4. **Forestry Act.** An act respecting the management, harvesting, and protection of the forests of the province.
5. **Motorized Snow Vehicles and All-Terrain Vehicles Act.** An act respecting all-terrain vehicles.
6. **Agrologists Act.** An act establishing the Newfoundland and Labrador Institute of Agrologists. The act outlines the objectives, structure, operation and membership of the Institute.
7. **Animal Health and Protection Act**¹³. An act respecting the health and protection of animals.
8. **Animal Protection Act.** The purpose of this act is to provide for a method to help animals that are in distress and to prevent cruelty or other mistreatment of animals.
9. **Crop Insurance Act.** An act respecting the Newfoundland and Labrador Crop Insurance Agency. The Crop Insurance Plan is covered under this act. The plan offers insurance on insurable agricultural crops under the regulations. The act designates the Newfoundland and Labrador Crop Insurance Fund and also the Crop Insurance Agency.

¹³ Once associated regulations come into force, the *Animal Health and Protection Act* will consolidate the following acts: *Animal Protection Act*, *Livestock Act*, *Livestock Health Act*, *Dog Act*, *Heritage Animals Act*, *Poultry and Poultry Products Act*.



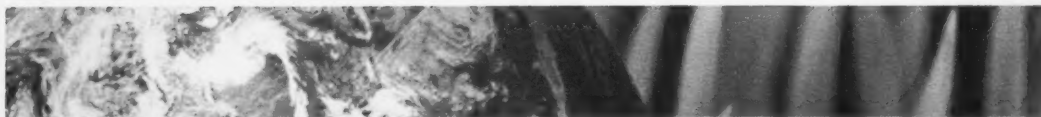
Department of Natural Resources

10. **Dog Act.** An act respecting the keeping of dogs.
11. **Farm Practices Protection Act.** An act respecting the protection of farm practices in the province.
12. **Farm Products Corporation Act.** An act respecting the administration of Farm Products Corporation.
13. **Heritage Animals Act.** An act to provide the means for recognition and protection of heritage animals within the province. Included under this act are the Designation of Inspectors Order and the Newfoundland Pony Designation Order.
14. **Livestock Act.** An act regarding the control and protection of livestock. The Livestock Regulations outline the details relating to the control and protection of livestock.
15. **Livestock Health Act.** An act respecting the prevention of diseases in livestock. Under this act are the Livestock Health Regulations which provide the details on the prevention of diseases in livestock.
16. **Livestock Insurance Act.** An act to provide for livestock insurance and respecting the Livestock Owners Compensation Board. The Livestock Insurance Plan is covered under this act. The plan offers insurance on beef, sheep, cattle and goats from predatory attacks by dogs or coyotes. The act designates the Livestock Owners Compensation Fund and the Livestock Owners Compensation Board.
17. **Meat Inspection Act.** An act to provide for animal and meat inspection in slaughterhouses. This act includes Meat Inspection Regulations which provide the details on standards and licensing for animal and meat inspection in slaughterhouses.
18. **Natural Products Marketing Act.** An act to allow for the creation of commodity boards, and a supervisory board to protect the interests of the general public, and an act to amend the *Natural Products Marketing Act* and the *Farm Practices Protection Act* to create the Farm Industry Review Board.
19. **Plant Protection Act.** An act respecting the protection of plants and the prevention of the spread of pests and diseases destructive to vegetation.



Department of Natural Resources

20. **Poultry and Poultry Products Act.** An act respecting poultry and poultry products such as chicken and eggs.
21. **Vegetable Grading Act.** An act respecting the grading of certain products of agriculture in the province.
22. **Veterinary Medical Act.** An act to revise the law about veterinary medicine.



Department of Natural Resources

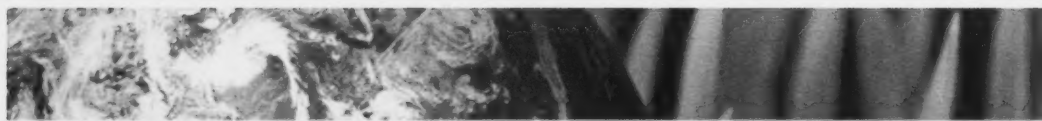
Appendix II: Statement of Revenues and Expenditures

Expenditure and revenue figures included in this document are based on public information provided in the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for Fiscal Year Ended 31 March 2011.

STATEMENT OF EXPENDITURE AND RELATED REVENUE SUMMARY FOR THE YEAR ENDED 31 MARCH 2011 (Unaudited)

		Estimates		
		Actual (\$)	Amended (\$)	Original (\$)
Executive and Support Services				
1.1.01	Minister's Office	405,318	433,800	433,800
1.2.01	Executive Support	3,302,788	3,323,900	2,295,200
1.2.02	Administrative Support	813,989	820,600	1,505,800
	Less: Revenue	(5,533)	(10,000)	(10,000)
1.2.03	Administrative Support (Capital)	33,680,628 ¹⁴	35,410,100	2,610,100
	Less: Revenue	-	(1,266,100)	(1,266,100)
Total		38,197,190	38,712,300	5,568,800
Forest Management and Protection				
Forest Management				
2.1.01	Administration and Program Planning	31,439,918	31,954,200	16,814,000
	Less: Revenue (Federal)	(4,882,520)	(4,855,000)	(4,855,000)
2.1.02	Operations and Implementation	12,888,250	13,096,600	12,412,400
2.1.03	Silviculture Development	10,961,680	11,255,900	10,955,900
	Less: Revenue	(21,965)	(1,000)	(1,000)

¹⁴ Of this amount, \$32.8 million was a payment in order to facilitate compensation arrangements respecting Ente Nazionale per l'Energia eLettrica (ENEL) as compensation under the *Abitibi Consolidated Rights and Assets Act*. The compensation was in relation to Exploits River assets expropriated as part of the Provincial Government's expropriation of Abitibi Consolidated assets.



Department of Natural Resources

		Estimates		
		Actual (\$)	Amended (\$)	Original (\$)
2.1.04	Resource Roads Construction	5,167,273	5,900,300	5,900,300
2.1.05	Forest Industry Diversification	3,800,000	4,800,000	6,500,000

Forest Protection				
2.2.01	Insect Control	4,047,835	4,260,200	3,640,200
	Less: Revenue (Federal)	(49,400)	-	-
2.2.02	Fire Suppression and Communications	3,603,786	4,113,700	4,245,700
	Total	66,954,857	70,524,900	55,612,500

Agrifoods Development

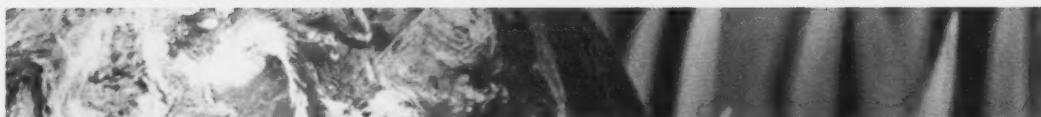
Land Resource Stewardship				
3.1.01	Land Resource Stewardship - Administration	2,115,504	2,148,200	2,091,700
	Less: Revenue	(6,047)	(33,000)	(33,000)
3.1.02	Limestone Sales	328,673	442,300	442,300
	Less: Revenue	(101,525)	(140,000)	(140,000)
3.1.03	Large Scale Land Development	-	-	1,250,000
	Less: Revenue (Federal)	-	(750,000)	(750,000)
3.1.04	Land Development	1,932,251	2,600,000	2,600,000

Production and Market Development

3.2.01	Production and Market Development - Administration	2,504,396	2,677,800	4,196,800
	Less: Revenue	(10,929)	(454,700)	(454,700)
3.2.02	Marketing Board	104,961	173,700	173,700

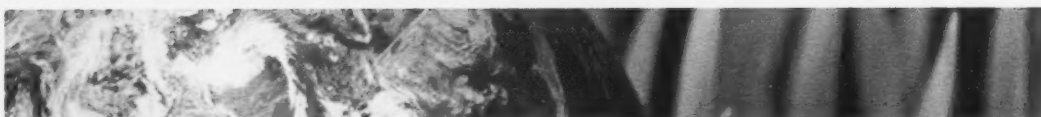
Agricultural Business Development

3.3.01	Agricultural Business Development - Administration	1,637,587	1,681,400	1,941,900
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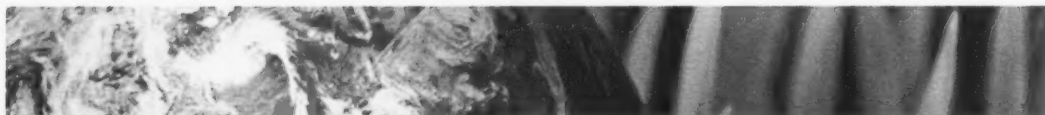
Department of Natural Resources

		Estimates		
		Actual (\$)	Amended (\$)	Original (\$)
3.3.02	Agriinsurance and Livestock Insurance	234,702	419,800	419,800
	Less: Revenue (Federal)	(223,143)	(202,800)	(202,800)
3.3.03	Agricultural Initiatives	2,062,351	2,250,000	2,250,000
3.3.04	Agriculture and Agrifoods Development Fund	2,000,000	2,006,000	2,956,000
	Less: Revenue	(231,283)	-	-
3.3.05	Growing Forward Framework	6,782,498	7,340,100	7,340,100
	Less: Revenue (Federal)	(4,124,499)	(4,216,600)	(4,216,600)
	Less: Revenue	-	(10,000)	(10,000)
Animal Health				
3.4.01	Administration and Support Services	2,801,012	3,061,600	3,148,600
	Less: Revenue	(515,626)	(530,000)	(530,000)
3.5.01	Research and Development	676,072	1,013,600	2,513,600
	Less: Revenue (Federal)	-	(1,500,000)	(1,500,000)
Total		17,966,955	17,977,400	23,487,400
Mineral Resource Management				
4.1.01	Geological Survey	5,654,248	5,802,900	5,721,400
	Less: Revenue	(167)	(34,000)	(34,000)
4.1.02	Mineral Lands	1,523,534	1,550,800	1,347,300
	Less: Revenue	-	(5,000)	(5,000)
4.1.03	Mineral Development	10,322,492	12,590,700	12,762,800
Total		17,500,107	19,905,400	19,792,500
Energy Resources and Industrial Benefits Management				
5.1.01	Energy Policy	4,959,243	4,995,700	2,109,400



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		Estimates		
		Actual (\$)	Amended (\$)	Original (\$)
5.1.02	Petroleum Development	1,255,178	1,348,900	1,468,700
5.1.03	Canada/Newfoundland and Labrador Offshore Petroleum Board	7,745,000	7,907,500	7,495,000
	Less: Revenue	(3,852,967)	(5,621,200)	(5,621,200)
5.1.04	Royalties and Benefits	3,587,413	4,370,300	4,771,500
	Less: Revenue	(35,800)	(70,000)	(70,000)
5.1.05	Energy Initiatives	8,938,627	9,867,500	14,935,000
5.1.06	Energy Initiatives - Capital	16,000,000	123,187,000	164,000,000
	Total	38,596,694	145,985,700	189,088,400
Total Department		179,215,803	293,105,700	293,549,600



Department of Natural Resources

Appendix III: Inactive Entities Reporting to the Minister

The following category three public bodies that report to the Minister of Natural Resources were inactive for the period April 1, 2010 to March 31, 2011. In the event that one of these public bodies becomes active, it will prepare, and table in the House of Assembly, an Annual Performance Report.

Forest Land Tax Appeals Board

The Forest Land Tax Appeals Board was created pursuant to the *Forestry Act (1990)*. The mandate of the board is to hear appeals from landholders who disagree with the way in which Part III of the *Forestry Act (1990)* is applied. Appeals may concern: the contents of a Certificate of Managed Land issued to the appellant; entries made with respect to the appellant in the Assessment Roll; the amount of tax payable by the appellant; or whether or not the appellant is even liable for taxation under Part III of the act.

Timber Scalers Board

The Timber Scalers Board was created pursuant to the *Forestry Act (1990)*. Under section 124 of the act, the duties of the board are to: examine the ability and knowledge of persons who apply to be certified to scale timber; hear appeals to scaling disputes; and recommend to the minister new scaling methods before they are used.

Newfoundland and Labrador Farm Products Corporation

The Newfoundland and Labrador Farm Products Corporation was created pursuant to the *Farm Products Corporation Act*. The corporation has a mandate to establish abattoirs, cold storage plants, warehouses, packing and processing plants and other buildings and establishments of every kind necessary and suitable for the handling, preparation, processing and storage of farm products of every kind both animal and vegetable for the purpose of facilitating the development of farm products in the province. Associated activities may include: making advances of livestock to farmers and livestock keepers, either for cash or on credit; employing instructors to instruct farmers and livestock keepers; purchasing, storing, processing, packing and selling arm products of every kind; and handling, storing and selling or advancing on credit animal feeding stuffs or every kind.

The Lieutenant-Governor in Council may appoint not fewer than five nor more than nine members to the Newfoundland and Labrador Farm Products Corporation. One person is to be chairperson. The members of the corporation, with the exception of the chairperson, shall be appointed for one year and are eligible for reappointment.





Newfoundland
Labrador